6
Copy
05-74H
2056

The Business Quarterly

SPRING 1958 | VOLUME XXIII NUMBER 1

Price $1.50

11 U.N. TECHNICAL ASSISTANCE:
HELPING OTHERS HELP THEMSELVES • David Owen

19 MANAGING CANADIAN INVESTMENT FUNDS • William Budden

25 THE SEAWAY AND SHIPPING POLICY • Eric Reford

29 PUTTING MOTIVATION RESEARCH TO WORK • David S. R. Leighton

34 HOW A FOREIGN SUBSIDIARY CAN WIN FRIENDS IN CANADA
Gordon Huson

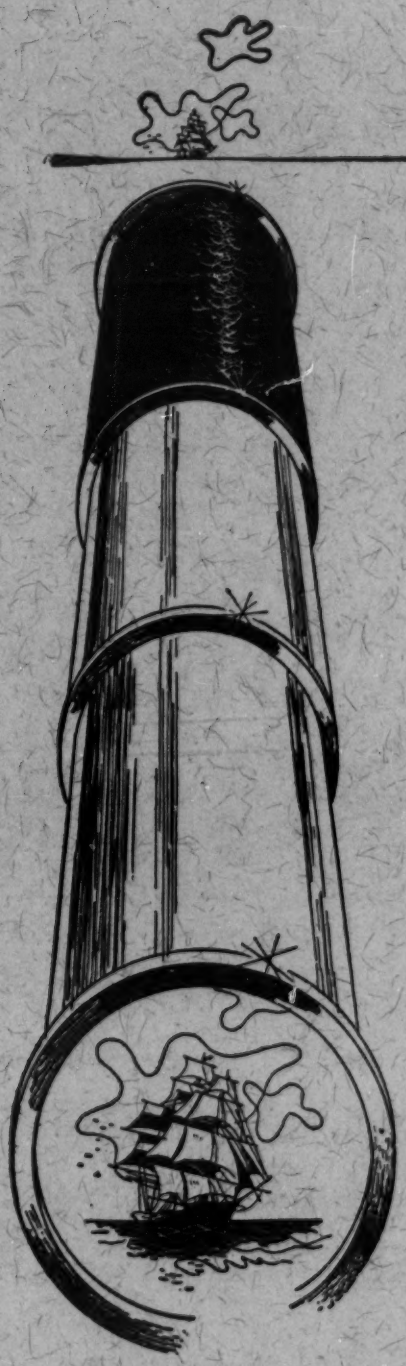
37 BUSINESS BIOGRAPHY: J. WILLIAM HORSEY • Mary Orde

39 THE CASE FOR PRODUCER MARKETING BOARDS • Charles W. McInnis

46 INTERNATIONAL EDUCATION FOR MANAGEMENT • Michael L. Hoffman

published by The School of Business Administration

UNIVERSITY OF WESTERN ONTARIO



helping to make your ship come in

There's no use waiting for your ship to come in if it hasn't been launched. Now is the time to launch your ship—*your career*—through education. Education provides a good foundation for a sound, successful future. One way to obtain such a foundation is through regular saving and wise investment.

DOMINION SECURITIES CORPN. LIMITED

Established 1901

Toronto Montreal New York London, Eng. Winnipeg Calgary Vancouver Victoria London Kitchener Brantford Hamilton Ottawa Quebec Halifax Saint John

50 King Street West, Toronto, Canada

CAN IBM ELECTRONICS PROFIT YOUR COMPANY?

Here's the way to find out!

Whether or not your company shares in the profits of electronic data processing may depend upon you.

Better than anyone else—*you know* there should be no "snap judgments" on electronics. It takes time. Time to gather the facts, re-examine procedures . . . reaffirm management requirements. The competitive picture in our growing economy demands that top management find the time to learn about electronics. He looks to *you* for the significant facts. He relies upon you to help him decide where, and how, electronics will improve his profit picture. And, whether or not he decides *for* electronics, your company still reaps the vital economies of this thorough re-examination of systems and procedures.

IBM will help you gather this data. From published brochures and application studies, to actual preparation assistance, IBM will cooperate with you to help your management ascertain whether electronics will be profitable for your company.

Today—IBM electronic data processing machines are on the job on every type of data processing problem – in businesses of every size. *Each working day,* another IBM electronic machine is being delivered. You can be sure that in this rapidly growing field, IBM has the experience and know-how you can depend upon. What's more, newer IBM developments will keep you out in front in electronics.

Get the down-to-earth facts from IBM. Call your local representative or write: International Business Machines Company Limited, Don Mills Road, Toronto 6, Ontario.

IBM® DATA PROCESSING

FACTS that spell

ABILITY TO SERVE

■ The London Life Insurance Company has over $4,196,000,000 of business in force—more than double the amount of seven years ago.

■ There are now more than 1,235,000 individual London Life policies in effect. This does not include the certificates issued to persons insured under London Life Group Insurance plans; these certificates number well over 450,000.

■ In 1957 the Company issued $578,000,000 of new life insurance. In other words, Canadians are purchasing life insurance from the London Life at the rate of $2,250,000 each working day of the year.

These facts reflect the confidence of the people of Canada in the Company's carefully selected and well trained representatives, and in its ability—proved by its record through the years—to provide life insurance at low cost to its policyholders.

LONDON LIFE INSURANCE COMPANY

Head Office: LONDON, CANADA

THE
BUSINESS
QUARTERLY

VOLUME XXIII SPRING
NUMBER 4 1958

Editor
A. GORDON HUSON

Editorial Council
N. M. ARMSTRONG
EMERSON CREED
A. GORDON HUSON
F. W. P. JONES
DWIGHT R. LADD
L. S. LAUCHLAND
DAVID S. R. LEIGHTON
JOHN J. MADDEN
A. D. MISENER
R. K. READY
WALTER A. THOMPSON
MARY ORDE, *Secretary*

Published by—
The School of Business Administration,
University of Western Ontario,
London, Canada.

The views and opinions herein expressed are those of the several authors and do not represent an official opinion of *The Business Quarterly* or the University of Western Ontario.

Manuscripts and correspondence concerning articles should be addressed to the Editor.

A consolidated index of subjects and authors was published for the first 20 volumes in Vol XX, No. 4. The contents are currently indexed by the Canadian Index, Ottawa, the Public Affairs Information Service, New York, and "Management's Documentation Review", Documation Inc., Woodbury, N.J.

Subscriptions — Single copy, $1.50; One year, $5.00; Three years, $9.50.

Advertising Rates — Furnished by the Business Manager upon request.

All correspondence concerning subscriptions and advertising should be addressed to:

The Business Quarterly,
School of Business Administration
University of Western Ontario,
London, Canada.

Printed by—
Hunter Printing London Limited,
226 King Street, London, Canada

Authorized as second class mail, Post Office Department, Ottawa, Canada

A Matter of Opinion

With this issue, *The Business Quarterly* dons a new face. From cover to cover, editorially as well as typographically, the *Quarterly* has undergone major changes and revisions. It is our belief that through these changes our readers will find the *Quarterly* more readable, more interesting, and more informative.

The Business Quarterly is intended to be a medium for the transmission of knowledge, viewpoints and information related to Canadian business. It is thus a medium of business education. As such, the responsibilities of the editors are twofold:

1. To obtain and to present editorial matter of high quality, significance, and interest to people connected with Canadian business.

2. To stimulate the interest of Canadian businessmen in the editorial matter presented. Our role is not passive: since our goal is business education, we must do what we can to promote such education.

Let us be realistic: there are many who would quarrel with our goals. There are those, of course, who quarrel with capitalism in general and thus would not agree with us that business education is a desirable goal. Then there are those who, while agreeing with our objectives, would say that we have set ourselves an unattainable goal; that businessmen are not interested in stretching themselves, and that they will not read a publication such as ours.

Our position on these questions is clear. We accept as a basic premise the desirability of the capitalistic system. We wish to see that business is conducted on as intelligent and informed a basis as possible. Furthermore, we cannot agree, at least on the basis of such facts as are now available, that businessmen are not interested in educating themselves. The unprecedented demand for university extension courses, the success of similar publications in other countries — these and other facts indicate to us that there is a real potential for an educational business journal among Canadian businessmen.

Frankly, to date we have not been as successful in attaining our objectives as we might have wished. Our circulation is still small. It is often difficult to obtain contributions, and it is still more difficult to obtain contributions of the quality we would like. Our circulation among practising businessmen is but a fraction of the potential. A disappointingly small proportion of our contributors come from the ranks of business itself.

But while our efforts to date have made only limited headway, and while we face many problems, we earnestly feel that our objectives are both worth while and, ultimately perhaps, attainable. This new format and the revised editorial scheme thus represent but one facet of our sincere determination to further the cause of business education in Canada.

At the same time, we must face the fact that the continued existence and ultimate success of a publication such as the *Quarterly* hinges on the presence of two conditions: a demand on the part of Canadian businessmen for such a journal, and a continuing flow of top-flight editorial matter in our pages. Like the blades of a pair of scissors, these two conditions cannot exist independently; each depends on the other. The continued existence and ultimate success of the *Quarterly* will thus depend on the co-operative effort of readers, contributors, and editors.

HF1
.Q3

1958 Model of another Remington Rand *"first"*

When Remington Rand produced the first typewriter in 1873, only men worked in offices. The first "young ladies" to enter business were trained and hired to operate the newly-adopted typewriters. So the first typewriter—Remington Rand—resulted in the first typist—forerunner of the typist and stenographer of today.

Throughout the history of modern business, Remington Rand have been constantly adding "firsts" in a continuous pioneering effort . . . a far-reaching revolution in business methods that is shortening working hours and lowering costs. In 1903, Remington Rand came up with the first insulated safe; then followed the first vertical adding and subtracting accounting machine, the first visible filing system, the first noiseless typewriter and the first electric typewriter.

Of recent years, Remington's most significant "first" has been UNIVAC—the first commercial electronic computing system, and the greatest step towards the streamlining of office methods and the elimination of drudgery. We think you'll be interested to learn just how much Remington Rand can do to help free your employees for more constructive tasks. Call or write any of our sales or service offices across Canada.

Remington Rand
LIMITED
984 BAY STREET, TORONTO, ONTARIO
BRANCHES ACROSS CANADA

Univac Electronic Computing Systems • Punched-Card Accounting Machines • Adding and Calculating Machines • Visible Record Systems (Kardex) Bookkeeping Machines • Remington Electric, Noiseless, Standard and Portable Typewriters • Typewriter and Offset Duplicating Supplies • Fire Resistant Cabinets

for sales:

a complete packaging service from design to final production

Somerville packaging will emphasize the outstanding features of your product . . . and sell it on sight.

- Folding cartons
- Set-up boxes
- Bags
- Wraps
- Custom-created point-of-sale displays

Call your nearest Somerville representative now for help with your packaging problems.

6224

SOMERVILLE
LIMITED

Sales Offices: LONDON - *Montreal - Toronto*
Peterborough - Kitchener - Hamilton - Windsor

Sales representatives from coast to coast

About Our Authors

Born in Wales, **David Owen,** executive chairman of the Technical Assistance Board of the U.N., was educated in Leeds and is a graduate of Leeds University. Following work on economic planning and a lectureship at Glasgow University, he became personal assistant to the late Sir Stafford Cripps on his mission to India. In 1944 he became officer in charge of League of Nations Affairs at the Foreign Office. He was a member of the British Delegation to the San Francisco Conference, and deputy executive secretary to the preparatory commission of the United Nations.

As head of the economic affairs department of the U.N. since 1946, Mr. Owen was principally concerned with the organization of technical assistance for economically under-developed countries. In August 1952 he became the first executive chairman of the Technical Assistance Board which is composed of the U.N. and seven specialized agencies participating in the Expanded Program for Technical Assistance for economic development.

Formerly the well-known "New York Times" correspondent in Europe and writer on economic topics, **Michael L. Hoffman** is now director of the Economic Development Institute of the International Bank for Reconstruction and Development in New York. A native of North Carolina, he served a stint during the war in the U.S. Treasury.

Vice-President of McLean, Budden Limited, Montreal investment managers and consultants, **William Budden** has been an analyst and buyer of securities since graduating from McGill in 1929. His career started in the Investment Department of the Sun Life and was followed by a period of service as deputy-chief of the Bank of Canada's Securities Division. He now finds time to act as honorary treasurer and financial advisor for the Montreal Museum of Fine Arts and has served in Montreal as President of the Canadian Club, Institute of International Affairs and Quebec Cancer Society.

Eric Reford, who writes on U.S. subsidies to shipping and Canadian trade, is a graduate of McGill and Oxford universities. He is president of the Robert Reford Company of Montreal and Toronto, which has been in the

(Continued on Page 4)

Here's one report every businessman can read with profit

Monthly Review
THE BANK OF NOVA SCOTIA

Each month the BNS reports on some topic of current economic interest in its Monthly Review.

Businessmen tell us these monthly reports provide interesting, and profitable information.

To receive your free copies of the Monthly Review, mail the coupon below. We'll be glad to put you on our mailing list.

The Bank of Nova Scotia

• your partner in helping Canada grow

N

Economics Department
The Bank of Nova Scotia
44 King St. W., Toronto 1

Please put me on the Monthly Review mailing list.

Name.....

.....

Street.....

.....

City.....Prov.....

Company.....

McLEOD, YOUNG, WEIR & COMPANY
LIMITED

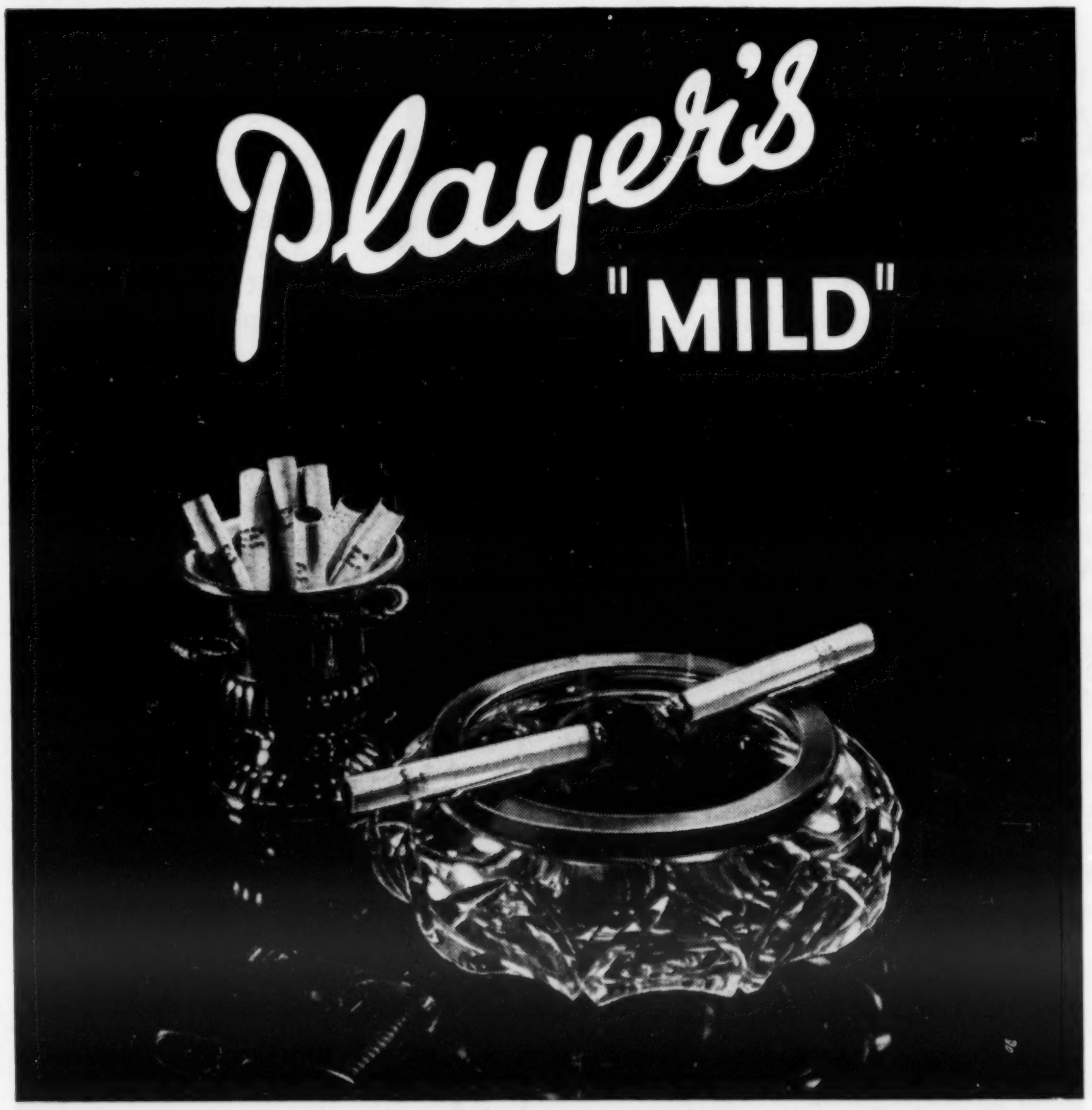
DEALERS IN

GOVERNMENT, MUNICIPAL
AND
CORPORATION SECURITIES

50 King Street West
Toronto
EMpire 4-0161

276 St. James Street West
Montreal
VIctor 5-4261

Ottawa Winnipeg London Vancouver Hamilton
Calgary Kitchener Quebec Sherbrooke Windsor
Edmonton New York



THE MILDEST BEST-TASTING CIGARETTE

About Our Authors cont.

general steamship agency business since 1865. Active in this family concern since 1924, he is an expert on steamship operations from all ports in Eastern Canada and the St. Lawrence, and a past president of the Shipping Federation of Canada.

The author of our article on consumer motivation research, **Dr. David S. R. Leighton,** teaches marketing and marketing research at the School of Business Administration, University of Western Ontario. His article is an outgrowth of his conviction that insufficient attention has been given to bridging the gap between marketing research practitioners and businessmen. Dr. Leighton, a graduate of Queen's and Harvard Universities, is co-author of two recently published books in marketing—*Problems in Marketing*, 2nd edition, (New York: McGraw-Hill, 1957); and *Marketing in Canada* (Homewood, Illinois: Richard D. Irwin, Inc., 1958).

Prewar assistant financial editor of the News Chronicle and correspondent of The Economist in London, England, postwar director of U.K. Information Services in Canada, **Gordon Huson** combines editing the Business Quarterly with teaching international trade, business forecasting and investment management. He studied at London and Paris universities and is a barrister-at-law.

Mrs. Mary Orde, for the past ten months secretary of the "Business Quarterly", was formerly secretary to the secretary-general of the Arts Council of Great Britain, and for seven years a journalist in Oxford, Nottingham and other cities.

Mr. Charles W. McInnis, president of Ontario Hog Producers Association since its foundation in 1941, owns and operates a mixed farm at Iroquois, Ontario together with one of his three sons. He has also been active in the Concentrated Milk Producers Association, of which he is a director, and is on the board of governors of the Ontario Federation of Agriculture.

He was born and has always lived in the Iroquois district. Of his two other sons, one is a lawyer and one a pilot with T.C.A.

Expansion and Progress

The Canada Life continued its aggressive expansion program in 1957. During the year, the Company passed the three billion dollar mark in business in force*. This is an increase of one billion dollars in just over three years.

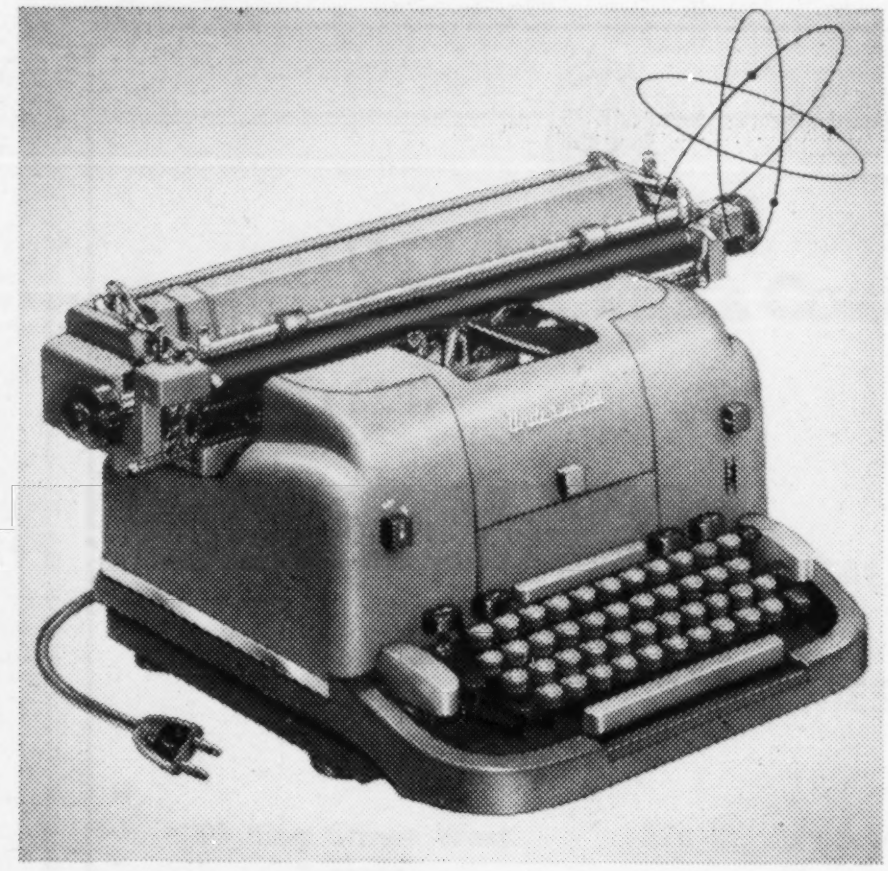
Vitality, and our use of both new and proven ideas, have given to us at the Canada Life the strength on which to base this outstanding progress.

Opportunities for challenging careers exist, of course, in this environment.

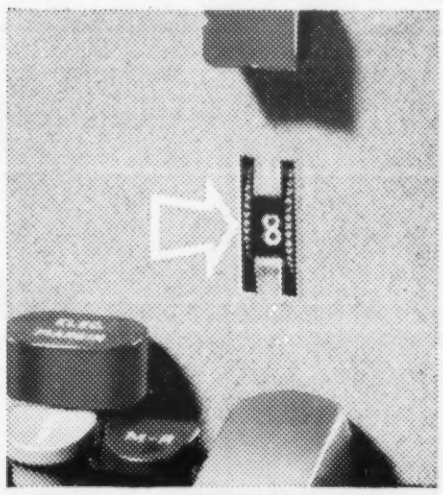
The CANADA LIFE Assurance Company

All business reinsured with other companies has been deducted.

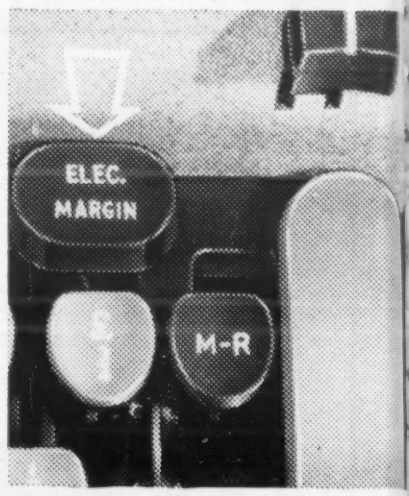
A MODERN COMPANY 111 YEARS OLD



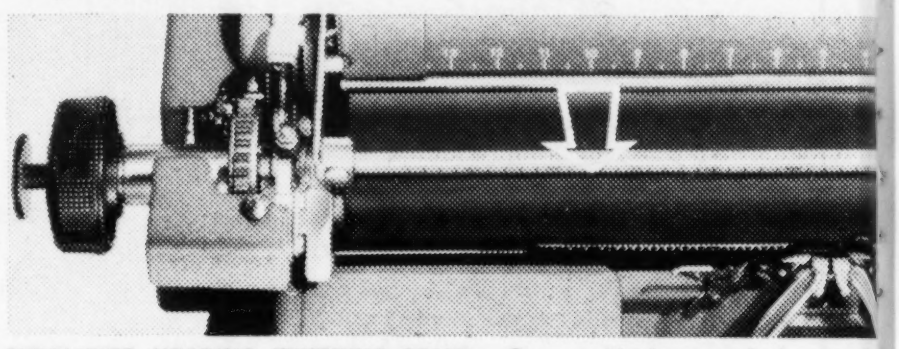
UNDERWOOD ELECTRIC TYPEWRITER—Faster, neater, more accurate typing plus renowned dependability.



ACCURATE IMPRESSION CONTROL DIAL—Dial is set for the desired number. You can make up to 20 legible copies!

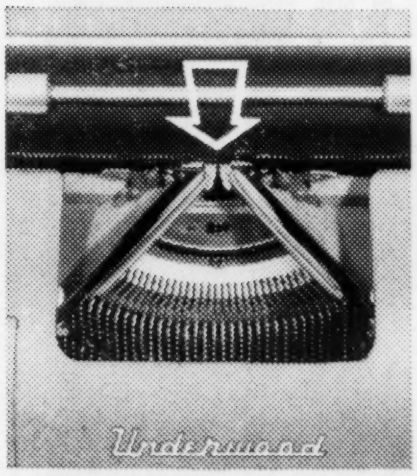


ELECTRIC MARGINS—Margins are set or reset by an electric margin key. Hands stay on the keyboard to produce more work.

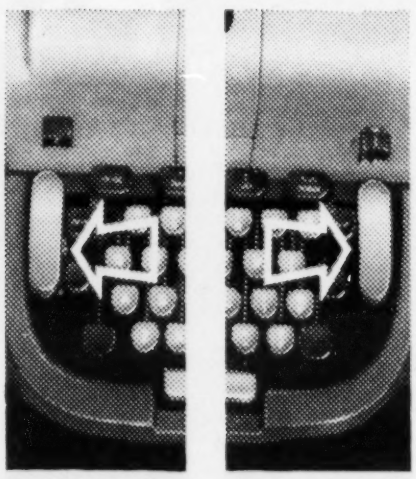


SIMPLIFIED HEADING CENTRING SCALE—On an Underwood the typist can centre headings and titles on the page in half the usual time. More time and effort saved.

NOW! Underwood offers the most productive features in electric typewriters—backed by famous Underwood dependability!



FULL WRITING LINE VISIBILITY—Typing errors cost time and money. Underwood increases accuracy because the typist has a full, clear view of the work from start to finish.



DUAL CARRIAGE RETURN KEYS—Dual carriage return keys increase speed and meet any typist's preference. Left hand key speeds up transition from manual operation.

FASTER
NEATER
QUIETER

Each feature of the new Underwood Electric Typewriter contributes to one all-important purpose—the job of producing cleaner typing, faster, with less effort. The typist's hands are always at the production point — on the keyboard — because Underwood requires only the touch of fingertips on scientifically contoured keys. Everything else is done automatically.

Here is completely new ability to get work done—to produce the crispest, sharpest, most uniform impressions you've ever seen.

ELECTRIC
Underwood
TYPEWRITERS

the most productive features in electrics!

COMPANY-OWNED BRANCHES AND SERVICE IN ALL PRINCIPAL CANADIAN CITIES.

Washington Newsletter

JAMES S. MINIFIE

THE chances of doing business with the United States are improving in some ways, worsening in others.

They are improving because, for the first time since the war, the American people and the Congress are becoming aware of the very real points of friction which have arisen. As long as Ottawa tried to clear up these points of friction—oil, lead and zinc, copper, waterpower, lumber, wheat, cheese and dairy products, and fish—by standard Edwardian diplomatic practice of presenting the ambassador's compliments to the Secretary of State . . . and having the honor to remain, etc., the placid surface of public opinion was unruffled because there was nothing to ruffle it.

The new Diefenbaker tactic of being noisy in public about the protest in private is something which is understood here. When the Canadian Government deals with the State Department alone, it is not dealing as from power to power. President Eisenhower made that quite clear when he told a reporter who wanted something done about the District of Columbia: "You will have to go to Congress for that, and that means you will have to get your case to the people, to the grass roots." The Canadian Government equally has to get its case to the grass roots, to the people, as well as to the State Department. Americans are distressed as they become aware of the real state of relations with Canada. The Senate has decided to give foreign policy a thorough inspection. Its Foreign Relations Committee will examine it region by region. For the first time in modern history, Canada will be given its individual hearing.

On the House side Brooks Hays of Arkansas and Frank Coffin of Maine, both Democrats, have prepared a report on Canada after two visits to see for themselves. They were in the House gallery toward the end of the session and were impressed with its liveliness. Incidentally, keep an eye on Representative Coffin. His constituents are largely French speaking. He is learning to speak the voters' language, both literally and figuratively. He intends to make himself a specialist on Canadian affairs. He is intelligent and his views on waterpower, including downstream benefits, fisheries, lumbering, fossil fuels, and seaward sovereignty will be worth following. Merchants' associations interested in these matters might find it worthwhile giving him their outlook and getting his reactions. Both sides could profit.

All this is to the good. So, too, is the strong, if spotty, Democratic support for the President's appeal for a five-year extension of the Reciprocal Trade Act. On the other hand, tariff sentiment is growing up in the newly industrialized South and particularly reflected among Southern Democratic Congressmen. The extension is likely to be reduced. Membership in the Office of Trade Cooperation (GATT) will have a hard time.

The slump will make it harder to do business. Mr. Eisenhower and his advisors say things are going to turn up by mid-summer. Almost everybody else thinks they will not. Unemployment is at 6.5% and still rising. Instalment debts are rising. Bankruptcies are rising. The Federal Reserve rate is falling. So is the stock market, although it appears recently to be leveling out. Company operating statements for the next six months are bound to be depressing reading, and the stock market is apt to be more influenced by them than by the long-term prospects.

Not as much new money is going into defence as the headlines would make it appear. The effect of new spending can hardly make itself felt before the end of this year.

The budget for the fiscal year ending next June 30th will certainly show a deficit. If the slump continues, there may be a tax cut, the President says.

The Administration may propose remedial measures, but Congress will certainly dispose. The Administration's lead is feeble and intermittent. Congress, particularly the Senate, is strongly directed by Lyndon Johnson, the Majority Leader, and may impose its views in matters of trade, taxation, defense, outer space, education, foreign policy, agriculture, and the cold war. This is exhaustive. It may be exhausting, too.

Canadian Taxation and the Businessman

K. W. LEMON, F.C.A.

THE Ontario business community will welcome recent changes in Ontario corporation tax regulations which indicate that the Ontario authorities are not unsympathetic to the problems of the Ontario manufacturer who was placed at a serious competitive disadvantage by the previous regulations.

As pointed out in an earlier article in this series, the variations in the federal, Quebec and Ontario formulae for the allocation of income to the various provinces previously resulted in duplicate provincial income taxes on profits earned on direct shipments to customers in the Province of Quebec by an Ontario manufacturer who also maintained an office in Quebec. On the other hand a Quebec manufacturer would have completely escaped provincial taxation on direct shipments to Ontario although he would still be eligible for the 9% federal tax credit in respect of such shipments.

At one time there was considerable hope that this unfortunate situation would be corrected by the adoption by federal and Quebec authorities of the original Ontario formula which attributed a sale to the location from which the goods were shipped to a customer. This solution was not effected, however, for while the federal regulations were actually changed during 1957 to the Ontario "direct shipments" rule and subsequently changed back to the old basis in 1958, the Province of Quebec indicated its intention of retaining its method of allocation based only on the residence of the customer. Happily, the Province of Ontario then took action to correct the existing inequities and amended its regulations to effect the following:

(a) A change in the basis of allocating income so that profits resulting from a sale are now attributed to the jurisdiction in which the customer resides, provided that the vendor maintains a permanent establishment in that jurisdiction.

(b) The establishment of a new basis for the computation of the Ontario tax payable by those companies which are taxable both in Ontario and Quebec.

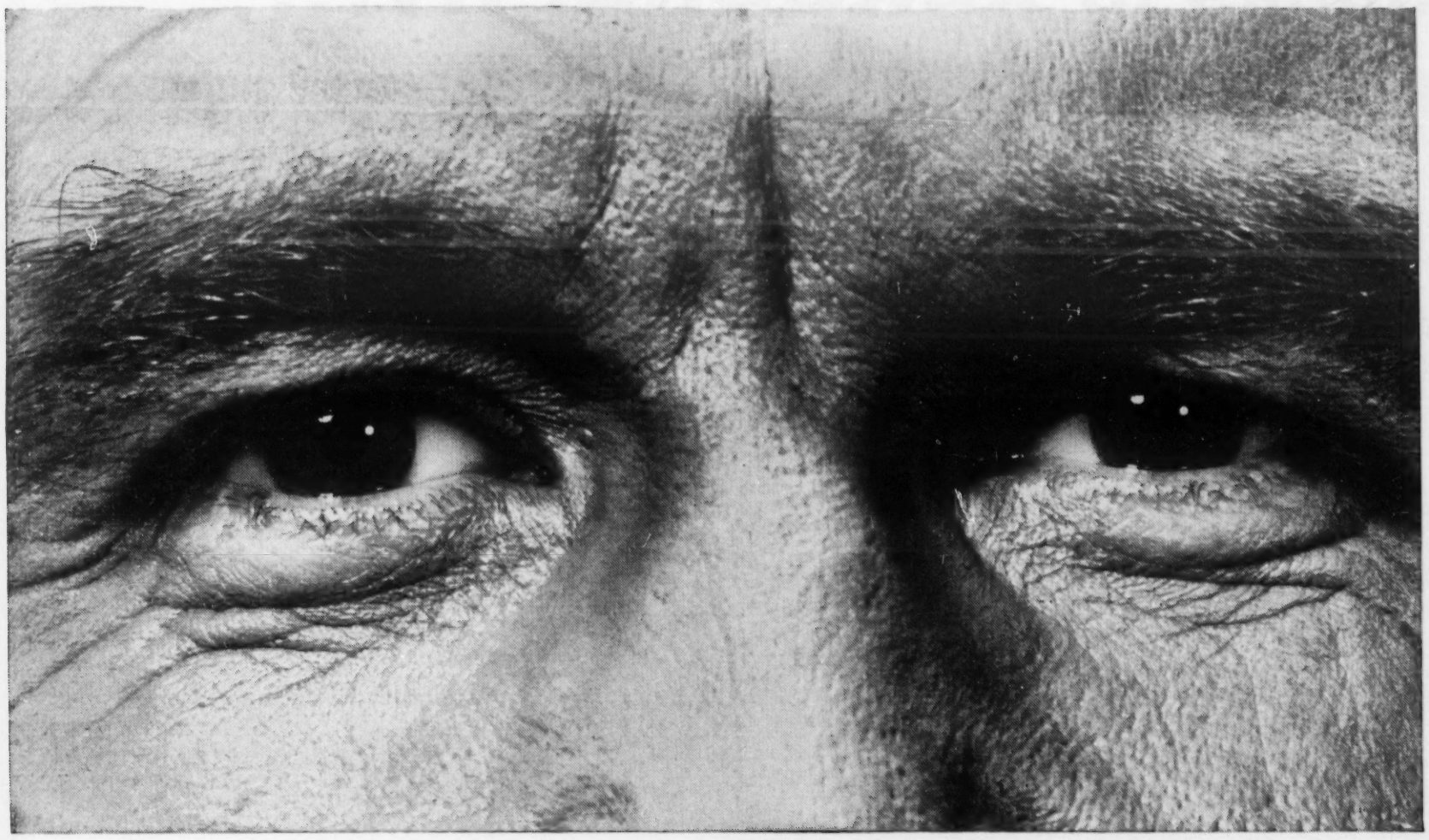
This new basis provides for an appropriate increase or decrease in the amount of Ontario tax payable so as to eliminate the avoidance or duplication of provincial taxes which previously resulted from the differences in the formulae adopted by the two provinces for the allocation of taxable income. The newly adopted regulation has the effect of establishing the total provincial taxes payable by all companies that are taxable in both Ontario and Quebec at:

(a) 11% of income earned in Ontario—based on Ontario allocation formula,

(b) 9% of income earned in Quebec—based on Ontario allocation formula.

Thus by a change in regulations, Ontario has eliminated both the privilege enjoyed previously by Quebec companies and the penalty to which Ontario companies were subject. As a result almost all of the inequities are removed and the total of federal and provincial taxes payable by most corporations will amount to 47% (20% on income up to $25,000) plus 2% of the income allocated to Ontario in accordance with the Ontario formula.

Most Canadian business men must consider the complex and varied formulae for the allocation of income as further confusion compounded on top of the cost and nuisance value of provincial taxation. Despite the continuing problems which result from the imposition of provincial taxes, however, it should be realized that the Province of Ontario through its recent amendments has made a very real contribution to the elimination of the previously existing difficulties and inequities. It is to be hoped that consideration will continue to be given to this subject and that additional steps will be taken to reduce even further the burden inherent in provincial taxation.



EXPERIENCED EYES

at **THE BANK**

Eyes like these typify the years of experience and sound judgment that await you at any branch of The Toronto-Dominion Bank. Whether you wish advice on a loan or financing a business, information about markets or facts about foreign exchange, drop in at Toronto-Dominion, where there are prudent, experienced people ready to talk to you. The Toronto-Dominion brand of service applies to *all* customers, brand-new ones as well as those of long standing whom we have helped to guide through the past few difficult years.

THE TORONTO-DOMINION BANK

THE BANK THAT LOOKS AHEAD

GO-6728

thanks to XEROGRAPHY...

- ACCUMULATIVE REPORTS
- CATALOG SHEETS
- COST SHEETS
- ENGINEERING DRAWINGS
- INVENTORY SHEETS
- MANAGEMENT REPORTS
- MANUALS
- OFFICE FORMS
- PRICE LISTS
- PERSONNEL DIRECTORIES
- PARTS CATALOGS
- SALES LETTERS
- TELEPHONE DIRECTORIES

SPEED and QUALITY in paperwork duplicating NO LONGER ARE PROBLEMS!

Whether it's a simple report of a few pages and a few copies, or a monumental report of hundreds of pages, it can be copied onto offset paper masters by xerography at low cost.

Quality is exceptional. Each copy run off on an offset duplicator from a master prepared by xerography is precisely like the original. Everyone else's copy will be as good as yours.

What's xerography?

That would have been a fair question a few years ago when The Haloid Company first unveiled it. But today xerography is widely known—in business, industry, and government—as the world's most versatile copying process.

Every department in a modern plant can use xerography profitably, day after day, week after week, speeding intracompany communications, getting vital information to the field quickly, cutting important costs everywhere.

Xerography is used increasingly to prepare masters for cumulative reports; catalog, inventory, and cost sheets; engineering drawings, management reports, manuals, office and factory forms, personnel and telephone directories, price lists, sales letters, news releases, and others.

Every day someone finds new uses for versatile xerography. And every day it's saving money, doing things never before deemed feasible.

If you've installed XeroX copying equipment, you know that speed, quality and accuracy in paperwork duplicating no longer are problems.

At no obligation to you, our trained representative will make a survey of your paperwork to determine possible savings in cost, or reduction of forms inventory. Write today.

• Xerography copies anything written, printed, typed, or drawn • Same, enlarged, or reduced size • Copies onto all kinds of masters—paper, metal, spirit, translucent—for duplicating • Copies line and halftone subjects.

THE HALOID COMPANY OF CANADA, LTD.
DEPT. 32 • 728 BAY STREET • TORONTO 2

HALOID XEROX

U. N. Technical Assistance:

HELPING OTHERS HELP THEMSELVES

The Executive Chairman of the UN Technical Assistance Board tells us here himself of the problems, achievements and expectations of the United Nations expanded programme of technical assistance. In his view, technical assistance has been a major instrument in helping solve some of the world's economic and social problems.

DAVID OWEN

ACCOMPANIED by a constant world spotlight, the United Nations General Assembly and Security Council have spent twelve years attempting to stop or allay successive outbreaks of hostility in different parts of the world. Under far less publicized conditions, the United Nations family is also coming to grips with some of the basic economic and social problems of the world. Both its political and its economic and social tasks were specifically defined for the Organization in the Charter signed at San Francisco in 1945.

Article 55 (a) of the UN Charter declares: "With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of the peoples, the United Nations shall promote . . . higher standards of living, full employment, and conditions of economic and social progress and development . . ."

Technical assistance is one instrument, and probably the most far-reaching, by which international cooperation is being turned to the solution of economic and social problems confronting a majority of the world's inhabitants. The transfer of knowledge, industrial techniques and skills from one people to another is sufficiently ancient to engage the attention of archaeologists, and it has been a theme for students of every century in the written history of mankind. What is new in our time is the recognition by the industrially developed and wealthier nations of a shared responsibility for progress. This has led to the development of such practical cooperative machinery as the United Nations provides in its economic and social aspects. Humanitarian sympathy with the under-privileged and a broadening concept of international relations have been partly responsible for this attitude, but enlightened self-interest has not been without its influence on the growth of new policies. "Poverty anywhere is a threat to prosperity everywhere", says a familiar slogan adopted by the International Labour Organization.

The more advanced countries have come to realize that their well-being depends on the economic and social health of the rest of the world. In the less-developed countries, men and women who once took starvation and disease for granted have become restlessly aware that they can aspire to more.

A PROGRAMME TAKES SHAPE

By the time the United Nations Organization entered the field, most governments already were developing economic plans of their own; some had made progress, but nearly all were severely restricted in their planning by lack of capital. Even if adequate capital had been available, however, something equally basic was lacking to them. Capital could buy or build factories but who was to run them and tend the machinery? It could provide tractors, but who would service them? It could build schools — but who was to teach in them? The real asset of all these countries was still the potential of their citizens; and a tremendous task lay ahead in helping them to realize that potential. Nearly eight years have passed since the United Nations set up the machinery of a Programme through which the technical resources of the whole world could be mobilized and skills transferred from one country to another as they

were needed. The operation is referred to as a "Technical Assistance Programme", although I have always felt this title to be too austere for work which is inherently humanitarian and appealing to the imagination.

Technical assistance in one of its simpler aspects can be illustrated by one of the first projects which the Programme undertook. The Government of Afghanistan wanted to introduce simple farm implements to pastoral nomads who were using only primitive sickles to harvest their crops. A team of agricultural experts set up small demonstration centres at points where the Afghan farmers had to pass on their way down the mountains. In three areas Swiss and Austrian experts—sent by the Food and Agriculture Organization of the United Nations —opened new possibilities to these farmers by introducing them to the scythe, the hoe, the fork and the hay rake.

THE FIRST STEPS – TOWARDS A FULL PROGRAMME

Among the international agencies practising technical assistance between the World Wars was the International Labour Organization, which gave a limited amount of technical advice in such matters as labour and industrial relations. After 1945 Specialized Agencies in other fields were established as part of the system of International Organizations working with the newly created United Nations. The World Health Organization gave technical assistance in combating disease and raising health standards. The Food and Agriculture Organization gave advice on agricultural development, although on a very limited scale, while UNESCO advised governments on their educational development, scientific research and mass communications. From 1947 onwards, the United Nations itself, through its economic and social departments, began to supply technical services that did not fall within the scope of any existing Specialized Agency. Resolutions passed in 1946 and 1948 by the General Assembly set aside a small portion of the UN's yearly budget to help its member nations solve problems—first in social welfare, then public administration and finally in economic development. The amounts allotted, however, totalled less than $2,000,000 per year.

Building on these early modest efforts, the Economic and Social Council and the General Assembly in 1949 worked out and approved the framework of the *Expanded Technical Assistance Programme*, to make available to under-developed countries, at their request, a wide range of technical advice, guidance and training facilities.

The Expanded Programme began operations in the summer of 1950. It called on the technical resources of seven Specialized Agencies as well as those of the United Nations. The International Labour Organization, the Food and Agriculture Organisation, the U. N. Educational, Scientific and Cultural Organisation, the International Civil Aviation Organisation, the World Health Organization, the International Telecommunications Union and the World Meteorological Organization became participants in the Programme, while the United Nations created a Technical Assistance Administration in its Secretariat to coordinate its own technical assistance services.

These eight "participating organizations" cover between them nearly every aspect of economic or social development. Their work is coordinated by a *Technical Assistance Board*, consisting of the representatives of each of the above-mentioned organizations and an Executive Chairman—in which capacity I have been privileged to serve.

"DEALING IN SERVICES"

The machinery of the Expanded Programme takes three forms: 1) experts are provided for individual countries on advisory and training missions, 2) fellowships are awarded to the nationals of the less-developed countries enabling them to advance their knowledge abroad, and 3) a very limited amount of demonstration equipment is supplied.

The Expanded Programme has always relied heavily on the quality and qualifications of the experts who are sent out as "international civil servants". Technical assistance, for all its complex structure and terminology, can eventually be reduced to the picture of one person trying to communicate his knowledge to others, and of one man trying to understand and appreciate the problems and the outlook of the people he has been asked to help.

The recruitment of experts has been, and will remain, a critical matter for us. Despite an unprecedented area of selection, great care and caution must be taken in the choice of the right man or woman for each assignment. The "ideal" expert should combine technical skill and experience with a rare combination of personal qualities — maturity, patience, tolerance, enthusiasm and adaptability. We have improved our recruitment procedures gradually through the years, enlisting the support of Government Departments, private organizations, UN Associations and research institutes. In all, over 6,000 experts have been sent out by the United Nations and the Specialized Agencies since 1950, singly or in missions of 2 to 20. The number of specialties of these experts must run into several hundred. Even those of us who are concerned with the day-to-day opera-

tions of the Programme are continually surprised by the nature of the things that these international pioneers are expected to know. Requests from Governments have included such varied qualifications as "a Swahili-speaking fisheries expert", "an expert with good practical experience in nomadic or semi-nomadic life" or "a specialist in thin-section slicing of rocks to make microscopic slides".

A typical project involving the services of an expert would begin—as always—with a request from a government. The Government of Paraguay, for example, asked for a postal expert as far back as 1953. At that time, the postal system in Paraguay could have been considered the worst in Latin America. . . . Thousands of parcel-post items were backlogged; there was no workable system of postal rates and tariffs. Airmail services were inefficient, complaints were numerous and delays routine.

The Government of Paraguay had taken the first step towards improvement by establishing a "Postal Reorganization Authority". The United Nations secured the services of a well-known postal and telecommunications specialist from Colombia. He arrived in Paraguay in 1953 and spent the next few years working on two levels of postal reorganization —the broad policy level and the day-to-day routine. Working with Paraguayan authorities, the expert helped them to set up a new accounting system, to change and increase postal hours, to systematize the handling of all kinds of mail and to reorganize the very structure of the Post Office.

Finally, the UN awarded a fellowship to a Paraguayan postal official, enabling him to study in Colombia. He has since returned to Asuncion to become the head of Paraguay's new Postal School. In four years, this project has been remarkably successful—so much so that the postal system now established in Paraguay is rated among the best on the continent. Not every technical assistance project can show important results within so short a period—but then this project benefited from having the two "necessities" in technical assistance—the active and enthusiastic support of the Government and the right choice of expert.

Fellowship awards made under the Expanded Programme are often connected with the visits of experts. The awards are generally planned in such a way that a fellow comes back to his country better prepared to follow up the advice, or to take over the work, of an international expert. To a lesser extent, Governments request individual fellowship awards to further their own training plans, unrelated to ETAP projects.

In all, the United Nations and the Specialized Agencies have made nearly 15,000 fellowship grants in the past eight years. These awards are made to candidates in the less-developed countries who already have some experience in their fields, but who would benefit from further training in the more advanced countries. The grants can have a benefit far out of proportion to the modest sum spent by the Programme, as witness the following case:

A young Libyan veterinarian was selected by his Government for advanced training abroad — at the suggestion of the FAO sheep husbandry expert assigned to the country. Under an FAO fellowship he was sent to train in Australia for a year. Because of the promise that he showed during that time, his fellowship was extended to give him three years in Australia. First, he studied at the State Veterinary College in Brisbane, then the next year at the Queensland State Agricultural School, and finally he worked under the Director of Sheep Husbandry for Queensland. On his way home, he was given the opportunity to visit sheep stations in India, Egypt, Turkey and Syria—to see how they were operated. When he returned to Libya at the beginning of 1956, he replaced the FAO expert as head of the Government's new Sheep Research Station near Tripoli.

FUNDS FOR HUMAN SKILLS

Since the Expanded Technical Assistance Programme was initiated, more than 5,000 different projects have been undertaken in some 125 countries and territories.

To finance this widespread operation, a Conference is called each year, at which governments are invited to contribute to a Special Technical Assistance Account The funds pledged at this Conference are allocated amongst the participating organizations, each organization receiving a share corresponding to the volume of projects it will undertake during the year. Governments invited to the Conference may be members of the United Nations or one of its Agencies, and individual annual contributions by governments have ranged from a maximum of $15,500,000 from the United States to token pledges of $2,000 from the Vatican and the equivalent of $3,000 from Laos. For 1957, 84 governments contributed a total of $31,072,000. This includes contributions in the equivalent of $2,240,000 from the United Kingdom, $2,000,000 from Canada, $1,450,000 from France, and $1,000,000 from the Soviet Union. The greater part of these funds is given in the currencies of the contributing countries, and must often be used in those countries.

Recipient governments themselves are the judges of how their share in these funds is to be spent. Eight months before the start of the calendar year, the Technical Assistance Board indicates to each country receiving UN technical assistance the approximate amount of aid which that country will receive from the Programme during the following year. Naturally that figure will depend largely on the amount of aid which each country is already receiving.

Once governments know the sum they can expect by way of assistance under the Programme, they draw up specific project requests in consultation with the Resident Representatives of the TAB and the technical representatives of the various Specialized Agencies. Governments decide which technical assistance projects they wish to continue, which new projects they want to add, and the specific priorities they attach to each new request. They then submit comprehensive requests for the approval of the Economic and Social Council and the General Assembly.

The largest programmes undertaken by the UN "family" of organizations in recent years have been in India, Pakistan, Iran, Yugoslavia, Libya and Burma. Each of these countries has received services and equipment involving a cost to the Special Fund of $750,000 or more a year. On a regional basis, the activities of the Programme are most heavily concentrated in Asia and the Far East, where a high proportion of the world's people is living on the brink of starvation. Latin America receives the next biggest share of aid, with some 26.5% in 1958. The Middle East, followed by Africa and Europe, completes the list. One of the most interesting changes in the distribution of UN aid in recent years has been the increase in our operations in Africa. There, the Programme has responded to the requirements of newly sovereign Ghana, Sudan, Morocco and Tunisia. The Governments of these countries are looking to the UN both for policy guidance and technical training to help meet the responsibilities of independence.

I have already mentioned the Resident Representatives of the Technical Assistance Board, insofar as they advise governments on programme planning. The system of Resident Representatives is actually one of TAB's most valuable instruments for coordinating the Expanded Programme in the field—and for keeping the Programme attuned to the needs and attitudes of the various recipient countries.

There are now 30 Resident Representatives covering 45 of the countries where our operations are on the largest scale. These Representatives fulfill many functions. They are coordinators, administrators, economists and planners; but they must also be counsellors, arbitrators, public relations experts and catalysts. They provide liaison between the TAB and Participating Organizations on the one hand and governments on the other. They coordinate our work with that of the various bilateral and private technical assistance programmes. It is, finally, the job of each Resident Representative to ensure that the complex operation of international technical assistance proceeds smoothly and efficiently in his area of assignment.

FROM GRASS-ROOTS TO GOVERNMENT

The Expanded Programme's yearly budget has been extremely modest, if one considers it against the needs of the less-developed countries. We can meet probably less than a quarter of the most urgent needs of governments. The Expanded Programme has made the most of its budget by using funds specifically for the provision of urgently needed human skills and allowing only a minimum expenditure for demonstration equipment.

There has been no limitation, however, on the fields in which the UN and its Agencies have been prepared to help the less-developed countries, provided that the aid requested is related to economic development and the improvement of living conditions. Within these terms of reference, the UN family has been called upon to undertake projects to develop source industries, to help run malaria eradication campaigns, to develop model schools, to train literacy teams and to supervise housing surveys.

Not only the skills but the ways in which they are applied vary greatly. People sometimes tend to think of technical assistance in terms of missions established in primitive communities, teaching villagers the rudiments of literacy, hygiene, farming, etc. This type of project is indeed an important part of the Expanded Programme's operations, but it is only one type. An equally basic, though less romantic-sounding, type of project brings technical aid to bear on the problems of government and policy planning. A good percentage of the requests we receive call for advisers to serve with—or under—a Government Ministry or Department. There is also a very broad and inclusive "middle-ground" of projects of the institutional and constructional variety. These include the building, organization and general guidance of hospitals, nurses' training schools, academic, technical and rural schools, agricultural research and training institutes, public administration schools, and hundreds of other specialized training centres.

WATER FOR SANTA APOLONIA

An assignment at the "grass-roots" level is often the most challenging of all, for it generally involves introducing new methods to people who are suspicious of anything novel or foreign. This was particularly true of one of our village projects among the indigenous Indians of Guatemala.

The typical Indian of Guatemala—and its neighbouring countries—is almost illiterate. He usually speaks no Spanish, but one of eighteen tribal languages. He is deeply rooted in ancestral customs, traditions and ways of life. Colonization and the exploitation of his people for four centuries have made him look with suspicion on any interference, however well meant, in his affairs. He tills the land very much as his ancestors did before the Spaniards came, using a wooden plough. He is perpetually in financial straits, migrates to the coast during the harvesting season in search of work and falls an easy prey both to tropical diseases and to "suppliers" of labour.

At the request of the Government, the ILO sent a French agricultural labour expert to Guatemala in 1952. His aim was to help raise the productivity of the Indians in the regions in which they live, thus gradually lessening the need for migration to seek work and putting them in a better position to discuss terms of employment, should they still decide to go down to the coast. Together with national labour officials and members of the FAO team in Guatemala, the expert decided to organize a trial productivity centre in the village of Santa Apolonia. The problems of the village were typical: "Why do you want to help us?"—was the first question and the first obstacle. The expert's first suggestion—that the villagers construct their own simple irrigation system—was immediately blocked by the suspicions of the village elders. He was still a foreigner whose ideas were to be distrusted.

A good deal of time passed before the expert saw an opportunity to dispel the distrust. One of the young farmers came to him for advice on how to keep the rats from eating his maize and how to protect his carrot and potato crops from insects. The expert made two simple suggestions, first that the maize be hung from a roof out of reach of the rats, and secondly that the farmer try spraying a simple insecticide. Out of the results of these small innovations came a gradual acceptance of, and confidence in, the expert. The villagers finally built the dam that he had proposed, and the elders themselves began to use the waters.

This was a first step. Next, vaccination of domestic animals; then the distribution of medicines to the sick and of milk to the children (UNICEF contributed 2,190,000 units); then a sheep-breeding course, a training centre for carpet-makers; then instruction on the treatment of fruit trees. The most important step of all was the creation of a central Government Department which will operate a similar programme in different parts of the country. The Chief of this Department is the man who travelled with the French ILO expert and worked as his national counterpart.

ONE STEP AHEAD OF FAILURE

This project in Guatemala will take years to affect all the Indians in that country. Other grass-roots projects must proceed faster if they are to overtake the problem before it overtakes them. This is true of much of the malaria control work in Asia, where the growing immunity of mosquitos to DDT is putting the campaign on a "now-or-never" basis. The World Health Organization (WHO) has given its heaviest and most successful malaria control support in recent years to the Indonesian Government.

The WHO began its work in Indonesia in 1952. At that time, in some areas of the country one baby in every two had malaria before it was a year old. Now, five years later, most children born in the same area will never have the disease. The success of the campaign is due to the active interest and support of the Government, and to the aid given, not only by the WHO, but also by the United States Government and UNICEF. At present, 4,000,000 Indonesians have been protected. As a result of the spraying, some 50,000 acres of land previously abandoned because of the disease are being put back into production. This action has already been responsible for an annual increase in rice production of 58,000 tons—more than two days' ration for every man, woman and child in Indonesia.

Finally, some 3,000 Indonesians are working on the spraying and follow-up operations, and additional staff are being trained in centres staffed by WHO and USA technicians. The new workers are essential to realize Indonesia's goal of eradicating the disease entirely within a few years.

FOUNDATION FOR THE FUTURE

The largest category of Expanded Programme projects operates out of schools, workshops, research and technical institutes and laboratories. There, young men and women are being trained by international experts to take part in the future development of their countries. The United Nations, for example, took part in the training and research that preceded the discovery of oil in Israel.

Oil was struck in the Heletz region of the country in 1955, climaxing exploratory work that went back more than 20 years. The current drive began in 1953, when the Government passed a new petroleum law defining the relationship between the State and the private oil companies—and pledged State assistance to these companies. In accordance with its pledge, the Government of Israel asked the United Nations Technical Assistance Administration (UNTAA) to send it a number of experts in different phases of oil prospecting.

In 1953 the UN recruited a petroleum geologist from the United Kingdom. He immediately undertook two jobs—to help organize an oil division in Israel's Geological Institute and to assist the oil companies in appraising the results of their test drilling. At the end of 1954, the UN sent one of the world's foremost geologists from Sweden to Israel, where he became Acting Director of the Israeli Geological Institute. In that year and in 1955, two seismic specialists were added to the UN mission. Their job was to take scientific soundings and to use them as a basis for deciding where to drill for oil. Their advice was instrumental in choosing each of the test drilling sites. In the course of this exploration for oil, as in all other technical assistance projects, the UN personnel acted in an advisory and training capacity, and they will continue to do so as Israel extends her oil development programme.

IN AND NEAR THE CABINET

On an increasing scale, the Governments of the less-developed countries are calling on the Expanded Programme for a form of advice that could hardly have been forecast a decade ago. Experts are being requested at the most senior level to help plan policy in the economic, fiscal, industrial, agricultural, labour and health fields. They are being assigned as advisers in government offices; they are becoming temporary members of development and coordinating boards and heads of government departments. They are even serving at sub-cabinet and cabinet levels.

The trend was begun over seven years ago with requests by the Governments of Bolivia and Indonesia for economic consultants. In Colombia and Libya, statistical experts from the UN, the ILO and the FAO have organized central Statistical Departments and Services. More recently, the Expanded Programme has been asked to help the newly established Ministry of Planning in Afghanistan in connection with its Five-Year Development Plan; in 1958 UN economists will be attached to the Directorate of Planning in Cambodia; they will take part in economic and statistical organization in Ghana, and will help appraise national resources and plan development policies for Nepal, the Sudan and Tunisia.

"HIS OWN SMALL REVOLUTION"

The drama surrounding the sending of these experts to all parts of the world may obscure the fact that some 20% of the Programme's resources are used to launch a process-in-reverse, which is equally effective in training personnel. This is the fellowship programme.

Fellowship aid may take longer to build up its effects than the expert phase of the Programme, but when these fellows return to positions of responsibility, the cumulative results of their training may in the long run have a greater impact on the development of their countries. I have sometimes felt in my own travels that the cost and effort put into the Programme was justified by the achievement of a single returned fellow whose imagination had been fired by his experience abroad and who was making his own small revolution in some segment of his country's economy. Some of these ex-fellows have gone on to positions of great importance. One is now the Secretary of the National Economic Council of the Philippines; another is the Dean of the Faculty of Medicine of Kabul University, Afghanistan; a third is the Chief of the Hydrographic Service in Iran. There are hundreds more, and the list is growing daily.

WE CAN'T DO IT ALONE

The Expanded Programme is not, of course, the only dispenser of technical assistance—far from it. Some of the major programmes outside the sphere of the United Nations are those associated with the United States International Cooperation Administration, the Colombo Plan of the British Commonwealth, the Organization of American States, and the Ford Foundation.

The operations of the Expanded Programme are carried out in close field cooperation with these other programmes — often in active collaboration. One of the most interesting examples of such collaboration is to be seen in Pakistan. In the eastern sector of that country, the Government is undertaking an ambitious and far-reaching irrigation scheme — centering in a two-million-acre tract of land between the Ganges and Kobadak Rivers. The major financing comes from Pakistan itself, the technical experts and advice from an Expanded Programme team which has numbered nearly twenty men at one time, and some $2,000,000 of equipment from the United States and from the Government of Canada under the Colombo Plan.

The impetus for the project was given originally by an FAO agricultural mission, which was asked to go to Pakistan and prepare a detailed irrigation plan for two million acres of the Ganges-Brahmaputra delta. Although the region receives ample rainfall most of the year, a system of controlled irrigation would allow farmers to grow a second and third crop during what has hitherto been the unproductive dry season, and would also prevent soil erosion by the sea.

By the beginning of 1957, seven FAO experts were still working on this project. At that stage also, 150 miles of irrigation, and 50 miles of drainage, canals had already been dug. The FAO team estimates that in the area already under irrigation, the following minimum results should be seen within four years: The yield of individual crops will have increased by at least 20-30%; some 85% of the farmers will harvest two or more crops annually; and the gross income from the land within the pilot block will be doubled.

The pattern whereby the UN or its Agencies provide technical advice and the U.S. or Canadian Governments provide supporting equipment can be found in nearly 100 of our current projects. A case in point is Libya, where a multi-purpose team of UNESCO specialists are setting up model schools in Tripoli and Benghazi, and where the United States ICA has provided classroom equipment and textbooks for the same schools.

AN INTERNATIONAL EXCHANGE

The United Nations resolution which created the Expanded Programme emphasized that "a sound international programme of this character must combine and make use of the experience of many nations, with different social patterns and cultural traditions and at different stages of development, so as to facilitate progress in the less-advanced countries. . . ." A Government can request assistance in any specialized field with the assurance that those experts most suitably qualified for the job will be recruited, be they Canadian, Indian, Egyptian, American, Japanese or belonging to any other nationality. In practice, this method has led to the establishment of a truly international pool of expert knowledge. To date, some 80 countries and territories have contributed to this pool.

Not only has this interchange of skills given the programme a richness of resources but, even more significantly, it has given the under-developed countries an opportunity to be "givers" as well as recipients—for every country can offer valuable traditional skills to help a neighbouring or far-off land.

By virtue of this unique international exchange of skills, we find today that an Argentine sanitary engineer is working in Israel; an Australian aviation expert is chief of the mission in Iraq; Canadian experts are serving in some 25 different countries; a Greek expert is helping to draft social security legislation in Iran; and a Pakistan agricultural statistician is assigned to Liberia.

The same international sharing of skills and facilities extends to the operation of the fellowship programme. In all, nearly 100 countries or territories have placed their facilities as host countries at the disposal of UN and Agency fellowship holders.

AFTER SEVEN YEARS — EVALUATION

Given the complex and long-term nature of any technical assistance programme, it is difficult to appraise results even after a decade of activity. But the question of evaluation — at least on a partial scale—has occupied our minds for several years now. When millions of dollars—public funds—are being spent, a suitable method must be evolved for measuring progress.

In 1956-57 the Technical Assistance Board, through its 30 field offices, attempted the most ambitious evaluation study to date. The Resident Representatives of the Board were asked to give a critical and analytical review of activities in their respective areas, reflecting the opinions of government officials as well as their own views. In the 30 countries which were reviewed for this study, a total of 710 projects were being carried out. Seventy-one percent of that number were rated as "excellent" or "satisfactory"; 20 percent were classed as "too early to say"; 7 percent were classified as "below expectation"; and 2 percent were terminated during the year before their completion.

One factor that we have to keep in mind in any evaluation study of technical assistance is that some projects, from their very nature, can show quicker results than others. Demonstration and training projects or those aimed at introducing some improved technique often show achievements within a few years, and a much higher proportion of these projects were found to be "excellent" or satisfactory. For example, as a result of the services rendered by international experts since 1953, rice production in Egypt has increased steadily until, in the last two years, it has become an important export commodity ranking second only to cotton. In India in the hilly areas of the State of Uttar Pradesh, where horticulture holds out the best economic promise, international experts assisted in establishing a research station and 17 mobile units consisting of gardeners and plant pro-

tectionists. The yield of orchard crops has substantially increased, and the peach crop alone has gone up from 1,200,000 pounds in 1953 to nearly 3,000,000 pounds in 1956, thus making it possible to establish a fruit packing industry. In Colombia the recommendations of two experts engaged in finding new sources of water, digging wells, etc., in the arid Guajira Peninsula resulted in substantial savings for the water sources development scheme. In Mexico the civil aviation training centre has trained more than 300 students from Mexico and other South American countries at a *per capita* cost which is considerably below the usual level.

A FORWARD LOOK

As I have pointed out, the Expanded Programme has been essentially a skill-sharing programme during the past eight years. As such, it has had an important role to play in world-wide economics, for the lack of technique is a very real part of the problems of the under-developed countries. But their need goes well beyond that point—and with it goes the corresponding obligation of the United Nations. In the application of all forms of technical assistance, a point is often reached which may perhaps best be described as the "frustration point" — the point at which sound advice, careful blueprints, and well-organized training programmes seem vain and profitless for lack of the means to take new steps towards the practical implementation of an important scheme. The next step may be the establishment of a technological research laboratory, an agricultural demonstration project, a multi-purpose river development survey, or a technical training college. But this next step—essential for economic development—all too frequently costs money beyond the reach of many less-developed countries, though they may be able to make a sizeable contribution from their own resources.

In December 1957 the General Assembly of the United Nations took the next step. It did so in the form of a new resolution which will allow for an expansion of the present technical assistance and development activities of the United Nations and the Specialized Agencies with a potential budget of $100,000,000 yearly. A Preparatory Committee is working out the details of this new plan at the present time with a tentative starting date of 1959. The resolution itself delineates the fields into which the present technical assistance programme would be most likely to expand its activities—"intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centres". These are not new fields of endeavour for the UN. Indeed we are actively working on projects in each of these categories. It is really a question of increasing the scope, volume and intensity of what we have been doing for some time.

To those of us who have been most intimately connected with the first years of the Expanded Programme, the new resolution is a source of enormous encouragement — not only because it will give the Programme a "forward look", but because it demonstrates the satisfaction felt by many governments with the start that has been made in international technical assistance.

The faith that virtually every country has in the United Nations Expanded Technical Assistance Programme was summed up eloquently by the Ceylonese Representative during the course of UN Day celebrations last October:

> ". . . Preoccupied as we are in the United Nations with political problems, we often lose sight of the fact that the UN is making a great contribution to the progress of Technical Assistance. We in Ceylon are deeply appreciative of the exceedingly good work that is being done in this field. We wish that this technical assistance programme could be further expanded, because, after all, in the world of strife what matters most is to reduce the sum total of suffering, so that all countries and all peoples will be able to stand on their own feet and walk the world in majesty and dignity. . . ."

"CANADA'S JUST ANOTHER BRANCH"

"As a vice president of the United Shoe Machinery Corporation itself, I am particularly responsible for the success or failure of all the Corporation's overseas activities—all activities, that is to say, outside of the United States, with the exception of Canada, which (as I think is the case in many other American companies) is handled as a domestic operation."

—John W. Coolidge, United Shoe Machinery Corporation.

"Leaving out Canada, which we consider a domestic market, Honeywell's first move in this direction occurred in 1937, in England, where we established a wholly owned subsidiary with a Canadian manager on the minimum $10,000 capitalization that the law allowed."

—Charles B. Meech, Minneapolis-Honeywell Regulator Corporation. Case Studies in Foreign Operation, International Management Association.

Managing CANADIAN INVESTMENT FUNDS

Investment funds of the mutual or open-end variety have enjoyed in Canada, as in the United States, an unprecedented period of growth and prosperity since the end of World War II. Total assets of all North American mutual funds increased from one to ten billion dollars in twelve years. About two-thirds of this increase was due to new subscriptions while the remaining one-third represented appreciation in market value. The investment manager's basic problem of timing was accentuated in that new subscriptions increased most rapidly during the last few years of the bull market. This was intensified for the managers of Canadian funds due to the heavy foreign buying of the relatively limited supply of Canadian investment grade securities. Other considerations, such as national pride and tax differentials, confused the issue and tended to limit the field of selection.

WILLIAM BUDDEN

STOCK FUNDS VS. BALANCED FUNDS

The problem of investing large increases in capital during a period of high and rising common stock prices was met by individual mutual fund managements in different ways reflecting both the objectives of each fund and the policies they adopted to meet changing conditions. Some fund managements joined the parade and directed their buying programmes entirely to the acquisition of common stocks. Others followed what is known as a balanced policy of increasing their defensive holdings of bonds and preferred stocks as common stocks increased in price. The remainder, including most of the leading Canadian mutual funds, adopted a compromise between these two policies.

THE PROOF OF THE PUDDING

It is too early to judge which policies were best suited to the period, as much will depend first on whether the downward adjustment in common stock prices is carried further in 1958, and second on the extent of recovery in years to come. Results to date, based on the following comparison of some of the leading proponents of each policy, tend to favour the stock funds despite the sharp drop in equity prices since the summer of 1957. (N.B.—To make the following comparison valid, it was necessary to add back the distributed capital profits of the American funds.)

Average of four leading funds in each group	*% Gain 1949 Low to 1956-7 High*	*% Decline 1956-7 High to mid-Jan. 1958*	*% Gain 1949 Low to mid-Jan. 1958*
U.S. Stock Funds	190%	—20%	130%
U.S. Balanced Funds	85%	— 5%	75%
Canadian Funds (partly balanced)	125%	—20%	80%

This comparison is by no means ideal as it fails to take into account the funds' net revenues and does not indicate the relationship of their average cost to current market levels. A more appropriate criterion would be a comparison based upon the results achieved by a regular investment of say $100 per month in each fund since 1949. Unfortunately this would require a statistical analysis beyong the scope of this article.

SPECIAL CANADIAN PROBLEMS

Assuming that the above comparison has some validity, it would appear that the management of

Canadian funds did relatively well, particularly when consideration is given to the special problems that they had to face. Some of these special Canadian problems influenced judgment in the realm of timing but the main influences tended to limit selection. In fact the portfolios of most Canadian funds are predominantly invested in Canadian securities. This can be explained but not necessarily justified.

SELECTION PRESUPPOSES CHOICE

Normally the problem of selecting common stocks for an investment portfolio assumes as an axiom that the wider the choice the better the selection. The Canadian investment manager has been discouraged, however, from considering American stocks for inclusion in his portfolios by several considerations of which some were valid and some were not. The main influence may have been an ingrained belief and pride in the future of Canada, supported in part by a suspicion, if not dislike, of things American. Sir Wilfrid Laurier's famous dictum that "the twentieth century belongs to Canada" has many adherents, and reports such as that of the Gordon Commission provide an impressive forecast of future growth. Enthusiasm for the future of Canada provides, however, insufficient justification for limiting the choice of investment securities to those of Canadian companies. A purely Canadian portfolio can really only be justified by very special circumstances. An example would be the foreign investment funds created in recent years to provide their investors with certain special privileges, such as tax deferment on reinvestment of income and capital gains. Such investors are more than likely to have other large holdings elsewhere. A Canadian fund for Canadian investors has very different objectives and should aim at providing a complete investment service.

DEARTH OF CANADIAN INVESTMENT GRADE EQUITIES

Due to the relative immaturity of the Canadian economy and the predominance of wholly owned foreign subsidiaries, there is in fact a relatively limited choice of Canadian securities suitable for the portfolios of Canadian investment funds. There are plenty of long-term speculative ventures in Canada, many of which may prove to be most profitable. The investment manager cannot go far into this field, however, without incurring unjustifiable risks. He must accordingly face the issue of whether the Canadian investment grade securities available provide a wide enough choice. If this problem is approached, industry by industry, it becomes clear that there are many gaps in the Canadian investment picture.

ADVANTAGES OF ADDING AMERICAN EQUITIES

In some industries Canadian securities provide a reasonable choice; in others, the addition of American securities would greatly improve the opportunities of profitable investment; in a few industries, there are no Canadian securities available. Some instances of this situation are worth mentioning. Canadian investors have only recently had a satisfactory choice in the rapidly expanding natural gas industry. Some bought the stock of International Utilities, an American company operating in Alberta, but few Canadian funds invested in American gas equities such as El Paso and Tennessee Gas Transmission. Few Canadian oil companies qualify for investment fund accounts and even the leaders require special consideration. Despite their large development programmes in Western Canada, they are still heavy importers of foreign crude oil and do not qualify as integrated companies in comparison with their U.S. counterparts. The long-term prospects of Imperial Oil, B.A. Oil and McColl-Frontenac may well be outstanding, but in recent years their stocks could not compare statistically with their international parent companies, Standard Oil N.J., Gulf Oil and Texas Company. In the chemical industry, with the exception of Dominion Tar and indirect participation in Shawinigan's subsidiary, the only Canadian equities are the subsidiaries of E. I. duPont de Nemours, Imperial Chemical Industries and Celanese Corporation of America. These are almost wholly dependent on their parent companies for basic research, have a limited Canadian market, and face severe competition from their parents and others in the export world. In other growth industries, such as aircraft or missile production and electronics, there are virtually no investment grade Canadian securities.

As might be expected, there is a fairly wide choice within the cyclical Canadian pulp and paper industry but even here, it is difficult to find Canadian stocks with the balanced investment merits of American companies such as International Paper, Kimberly-Clark or Scott Paper. In the field of metals, apart from Aluminium Limited and International Nickel and a few others with world wide investment standing, there is again a relatively limited choice. The fund manager cannot seriously consider investment in speculative mining situations any more than he could venture into the selection of penny oils. Many of these companies are still in the development stage while others are no more than promoters' dreams.

In steel construction, we find a number of well established and well managed Canadian companies but addition of one or more U.S. steel companies

and specialty situations such as National Lead might well improve performance. In manufacturing, the choice is more difficult as many Canadian companies engaged in secondary industry face severe problems of potential or real competition from foreign imports, to say nothing of the competition they must face from the Canadian subsidiaries of American companies. In this field there are no Canadian securities which can be considered as realistic alternatives to stocks such as General Electric or International Business Machines. In the manufacture of automobiles, Ford of Canada 'A' stock is the only available medium although in automobile and general consumer finance, there are at least two well established Canadian companies.

Finally, in the sphere of merchandising and consumer goods, the Canadian choice is somewhat broader and some Canadian companies have successfully extended their operations into the United States. Best example of this are Canada's two leading distillers, while Moore Corporation in the field of business forms and printing provides another outstanding exception to the general rule. Canada's life insurance companies have also demonstrated their ability to conduct profitable external operations but the price of shares in such companies has been somewhat high in recent years due to heavy American buying.

Enough has been said to suggest that the investment fund manager in Canada should, whenever possible, have available a wider choice of securities than is provided by Canadian issues. The addition of American securities to the field of choice should increase considerably the opportunities for investment success; not only is the choice of investment grade situations much greater but in most cases the sources of background and current information are much more comprehensive and reliable. In Canada, there is no Federal Securities Commission and many Canadian companies are still satisfied to provide their shareholders and the public with very meager information on their operations.

TAX DIFFERENTIALS OVERSTRESSED

The Canadian investment manager may believe in the desirability of adding American securities but he still must satisfy his directors and investors that he is justified in disregarding the tax disabilities involved. These arise from the fact that incorporated Canadian funds are not taxed on the dividend income they receive from their investments in other taxable Canadian corporations. Dividends received from American companies are subject to normal corporation tax just as if they were bond interest. Unincorporated trusteed funds in Canada, while not subject to tax, also have a problem of this nature. Their shareholders can only claim the special dividend deduction from taxable income to the extent of 20% of their share of the dividends received from taxable Canadian corporations. The tax differential is supplemented by other minor technical problems involved in the purchase of American securities. These include problems of registration, valuation, research, and claims on recapturable foreign taxes levied at source. The trouble with all these disabilities is that they interfere with the detachment and judgment required to make the best possible selection of securities. It should be recognized that the market has already, in most cases, taken the tax differential into account. Canadian stocks generally sell on a lower yield basis than their American counterparts and this spread in pretax income return can only be justified by greater growth prospects in a few special cases.

GROWTH VS. CURRENT INCOME

The above treatment of tax differentials is not intended to suggest that the Canadian investment manager should seek out American securities merely to obtain the highest possible net current yield; such a policy is seldom justified by future developments. It is generally agreed in fact that well selected growth securities provide higher income over a period of years in addition to capital profits. A stock bought to yield only 3% currently may well earn over 10% on the original investment if held for no more than 10 years.

DIVERSIFICATION CAN BE OVERDONE

The desirability of a wide field of choice has been stressed at length. It remains now to point out that this does not automatically call for a wide degree of diversification. A moderate amount of diversification is of course both desirable and necessary. An investment fund cannot assume the risks of concentration that might be quite normal and reasonable for an individual speculator. Over-diversification, however, prevents a portfolio from benefiting fully from its well selected situations. These may make outstanding progress, but the overall results are held back by the dead weight of the poor performers. In brief, it might be said that the field of choice should be as wide as possible but that the choice itself should be as selective as possible. Some Canadian investment funds have erred in this direction and their portfolios include so many hundreds of issues that they look like a stock exchange quotation sheet. This may mean that their managers were influenced by merchandising considerations and wanted to appeal to a variety of investors with a variety of tastes. More often, however, over-diversification suggests an abdication of judgment, supported perhaps by the unreasonable hope that aver-

age performance can be better than average. While averaging has a place in meeting the problems of timing, it is not so easily justified as an alternative to careful selection based on information and judgment.

TIMING IMPORTANT BUT DIFFICULT

The problems related to the selection of investment securities represent only part of the investment manager's responsibilities. Timing which involves the question of when to buy rather than what to buy is perhaps the most difficult of all investment problems. The simplest concept of good timing is to buy cheap and sell dear, but most investment fund managers cannot operate in these terms. They sometimes can intensify equity purchases when stocks appear cheap but seldom do more than sell the occasional individual holding when it has proved unsatisfactory. An investment grade growth security is almost never disposed of merely because it appears to be too high in price.

MARKET MOVEMENTS MORE A PROBLEM THAN OPPORTUNITY

As already mentioned the maximum flow of funds to be invested by fund managers tends to coincide with high prices for common stocks so that the problem of timing is seriously aggravated. The stock market pattern since 1949 is revealed by the following index figures —

Industrial Stock Averages	*% Gain 1949 Low to 1956-7 High*	*% Decline 1956-7 High to mid-Jan. 1958*	*% Gain 1949 Low to mid-Jan. 1958*
Dow Jones U.S. Stocks	220	15	170
Montreal Stock Exch. Canadian Stocks	200	30	110

These figures alone, stress the relatively wide cyclical swings of Canadian stock prices. Impressive supplementary evidence is provided by the equally severe intermediate reversal of 1952-53 and the much wider cyclical movements of certain Canadian industry groups. A striking example of the latter is provided by the average of pulp and paper stocks which comprise the Montreal Stock Exchange Index for that industry. This index gained 260% from 1949 to 1951, lost 30% to 1953, and then moved ahead 170% for an overall gain from 1949 to 1956 of 580%. Since then it has declined some 40% but still shows a net gain since 1949 of over 300%. Investment fund managers could not, however, be expected to take much trading advantage from this sort of pattern. Fund management is mainly concerned with building up adequate holdings of stocks with attractive long-term prospects. The objective of obtaining low average costs is recognized; but large individual holdings are not suited to trading particularly where markets are as thin as they are in Canada. There are, however, some important problems which come under the general head of timing.

FORMULA PLANS AND DOLLAR AVERAGING

Some managers have adopted various types of formulae which, at least theoretically, should improve their results. A formula plan which merely required a balanced 50-50 position between bonds and stocks would result in a 33% increase or 14% decrease in equity holdings if stock prices declined or rose by 40%. Other variable formula plans move their defensive ratios from 25% to 50% and intensify their profit possibility accordingly. Success in such plans depends on the difficult problem of selecting the theoretical middle of the market on which the formula variations are based. Another semi-mechanical alternative is that of dollar averaging and this applies particularly well in a declining stock market to funds which have a steady positive cash flow from net subscriptions. The essence of dollar averaging under these conditions is that you obtain more shares for a stated average investment. $100,000 invested in a stock selling at $100.00 would buy 1,000 shares. If the stock fell to $50.00 per share, another $100,000 would buy 2,000 shares so that 3,000 shares would have been acquired at a cost of $200,000, equal to an average cost of $66 2/3 per share and not the average price of $75.00 per share. Most funds, other than pension funds, do not have a regular cash flow on which they can depend. Investment fund managers must usually decide on whether to buy on a scale down and sell on a scale up, or attempt to build up cash resources in a declining market with a view to buying on the up trend.

SOME SWITCHING WORTHWHILE

Apart from these general questions of timing, there are other more specialized problems which the investment manager should consider. These involve switches from one industry group to another or from one security to another. The investment manager might try theoretically to reduce holdings in volatile growth industries when markets appeared high and purchase into relatively stable industries, such as certain types of utilities, food producers, etc. On the defensive side there are also opportunities related to changes in interest rates, of switching between short-term Government bonds and long-term corporate discount bonds or preferred stocks. Good timing in this category would at times increase the income of defensive securities quite substantially without involving undue risk. Finally, there are opportunities for successful timing which come very close to problems of selection. There are certain security price

patterns within industry groups on which switches can be based to increase profits. This operation comes close to trading but is, nonetheless, entirely legitimate for the fund manager. A good example of the opportunities provided can be seen from examining the relative price movements of Imperial Oil and B.A. Oil. A similar but somewhat more complicated relationship has existed between the stocks of United States Steel and Steel Company of Canada, or Kennecott Copper and Noranda Mines. There are countless such situations and they all provide a test for the skill of the investment manager.

ADMINISTRATION AND PUBLIC RELATIONS

There are a few other problems related to investment fund management which are in the field of mechanics or technique rather than portfolio investment. They can be broken down into three groups, namely Expenses, Investor Options and Reporting.

LOADING CHARGES AND OPERATING EXPENSES

The most serious item of expense is the distribution charge or loading which most public mutual investment funds charge the investor at time of subscription. This charge usually amounts to 8% to 10% of the capital invested and may well represent more than the first two years of income payable to the investor. When regular monthly or quarterly savings are subject to this charge, the savings plan is indeed carrying a heavy load. Investment funds do, however, provide a medium whereby the small investor can enjoy the benefits of expert management at a very low operating cost. These operating or management costs usually average an annual charge of between ½ of 1% and 1% of the capital invested. They are not unreasonable if the fund's performance is satisfactory. Even the loading charge can be justified by better than average investment results over a period of years. The important point for the investor to realize is that investment funds do not provide a practicable medium for short-term investment. Not only are the costs too high but the possibilities of capital loss are very real if the investment is not held for at least one major cycle in security prices. Canadian investment funds are no different from their American counterparts in this matter of expenses. Their problem is intensified somewhat by the volatility of Canadian security prices and by the somewhat less sophisticated investment understanding of the average Canadian investor.

INVESTOR OPTIONS, RETIREMENT PLANS, ETC.

Most Canadian funds provide several investor options. The usual one is that of automatic reinvestment of dividends at the investor's request. Recently a number of Canadian funds have made arrangements to qualify under the terms of the Registered Retirement Savings Plan provisions of the Income Tax Act as revised in 1957. Canadian mutual investment funds are particularly well qualified to build up the long-term savings of individuals who would otherwise be subjected to relatively high rates of income tax on their savings. Provision should be included, however, for dollar averaging the purchase of retirement annuities. It would be sad indeed if an individual's life savings were withdrawn to purchase an annuity at a time when the fund's unit or share value reflected a major cyclical decline in security prices.

REPORTS AND DESIRABILITY OF FULL DISCLOSURE

Finally there is the matter of reporting results and the desirability of full disclosure. Canadian funds are unfortunately not up to the best American standards in this regard. The cost and market value of individual portfolio holdings should both be reported at least once a year and preferably more often. Comparative prices per share or unit over a period of years should also be shown as well as the dividends, expenses and taxes per unit. Finally, an attempt should be made in periodic reports to explain the poiicy being followed by the fund's management, with comments on the resulting degree of success or failure. This question of reporting is a serious one and if the Canadian fund managements do not improve their performance in this field they are clearly inviting the regulatory authorities of the Provinces to lay down more strict requirements.

INVESTMENT MANAGEMENT REQUIRES INTELLIGENT COMPROMISE

Returning now to the field of investment management on the securities side, the following overall comments on the problems involved can be made. In both selection and timing, questions of security, income and growth have to be considered as interrelated alternatives and a compromise reached. First, there is the provision of reserves in the form of defensive securities. These may be needed in part to meet the contingency of unexpected heavy redemptions and in part to provide a security buying reserve. The main problem here, as we have seen, is knowing when it is safe to purchase relatively high yielding long-term bonds or preferred stocks rather than sacrificing income in favour of risk-free liquidity. A most valuable compromise between defense and growth can then be achieved by selected purchases of convertible or participating securities.

On the common stock side, the compromise between current income and future growth should undoubtedly favour the latter. If a policy of concen-

trating on growth has been determined, the industries which follow that pattern will not be difficult to select. The next step of choosing the individual companies in each industry will, as we have seen, present greater problems. A good rule for the Canadian investment manager to follow is to select first the outstanding investment stock in the industry; second, the stock with the best growth prospects; and, third, the stock with the most interesting prospects of relaively short to medium-term gain. In some industry groups, one of each of these types might be selected from both the Canadian and United States stock lists.

When the selection is complete, the problem remains of buying the securities selected. This presents no problems in the case of most American stocks and the few Canadian stocks which are inter-listed. In other cases, however, where the Canadian market is thin, it will be necessary to work closely with one or more brokers with a view to seeking out special offerings. This problem of thin markets is a very real one facing the Canadian investment manager and requires a degree of technical market knowledge and patience beyond the usual demands of investment management.

CONCLUSIONS

To sum up, we have attempted to show that the management of Canadian investment funds provides a very real challenge. We have suggested that this challenge cannot be properly met if the choice of investments is limited to Canadian securities. The Canadian investment manager who overcomes this obstacle may choose from the whole field of American securities for which sources of information and analytical reports abound. To this he can add his intimate knowledge of Canadian investment situations plus a shrewdness and detachment regarding world events seldom possessed by his American counterpart. The opportunities are great but it would be unwise to expect miracles. The performance of Canadian investment funds has not been unsatisfactory to date but there is certainly room for improvement. If investment management is in essence a matter of intelligent compromise, it is essential that the compromise be based on judgment rather than being an excuse for lack of judgment.

FAULTY COMPASS

The U.S.-flag lines have long been riding buoyantly on a sea of federal subsidy. To keep both captain and crew afloat in recent years has cost the taxpayer heavily. To the same end, the government, acting through the Maritime Administration, gradually has extended its control over the industry. Now, the agency is seeking to expand the sphere—and the cost—of the subsidy program still further. Like their predecessors, the new proposals are designed to foster the national security. Instead, if the past be any guide, they will be a great and useless drain on the public purse. What U.S. shipping policy needs today is not more money, but a new and better course.

The trouble is that Congress has been steering by a faulty compass, the Merchant Marine Act of 1936 as amended. That law created the U.S. Maritime Commission (now known as the Maritime Administration), giving it sweeping powers over the size and speed of cargo and passenger vessels, as well as the designation of trade routes deemed essential to American interests. Most significant of all, the agency was authorized to grant subsidies to shipping lines for operating on such routes, and for building new vessels or replacing old ones in domestic rather than foreign shipyards. In recent years, operating and construction subsidies combined have been climbing, to an annual rate of nearly $200 million at latest reckoning. What's more, as time goes on, the cost is slated to mount sharply. For at the urging—and with the financial support — of the Maritime Administration, the major U.S. shipping lines have all embarked on a massive replacement of their fleets. The government, of course, will foot part of the bill directly. Moreover, in order to help the operators attract private capital, the agency has agreed to underwrite up to 100% of mortgage loans made on new ships.

Like so many other aspects of the subsidy program, federal insurance of ship mortgages has won swift acceptance. At latest report, through a special fund set up for the purpose, the Maritime Administration had made insurance commitments totalling roughly $130 million. The scheme, however, has sprung some unexpected leaks.

Shipping subsidies, whether for construction or operation, have not served the national interest. True, handouts from Washington have kept the Stars and Stripes waving over certain so-called essential water routes. They also have helped make the American sailor the best paid in the world—and the NMU perhaps the richest seamen's union. However, the price—and not merely to the taxpayer—has come high. For while subsidies have benefited a few ship owners, they have done great economic harm to others. Over the years, the bounty of Washington steadily has inflated shipping costs, to the point where many unsubsidized domestic operators have been forced out of business. The first casualties were the vessels which once plied the intercoastal waters. More recently the tramp steamers, i.e., those without regularly scheduled ports of call, have been going under. Thus a policy designed to preserve the U.S. merchant marine has tended, in the main, to drive it off the seas.

What ails American shipping is not too little government, but too much. For the good of its merchant marine, and its own best interests, the U.S. would do well to change helmsmen and try a different tack.

Barron's, January 27, 1958.

The Seaway and Shipping Policy

What will be the consequences on Canada's international trade of divergent shipping policies pursued by the United States and Canada in making use of the St. Lawrence Seaway? The situation is a new one, and a serious problem might arise because the two countries for the first time will be making use in overseas shipping of the same route, which has been developed as a joint undertaking.

ERIC REFORD

CANADA, like the United States, at the close of the war was faced with the question of the employment or disposal of a relatively large number of merchant vessels owned by the Government, having been built for wartime needs as a contribution to the cause of the Allies. The Canadian Government decided to sell these ships as quickly as possible and they were absorbed by private interests, and ever since financial assistance to shipowners has been of a minor character.

This has resulted in the virtual disappearance of Canadian flag shipping from ocean commerce, since no vessel could be operated satisfactorily on Canadian crew wages unless the owner was prepared to meet continual losses or was reimbursed by subsidy. The Canadian Government has not been prepared to consider subsidization for a number of reasons but basically because subsidization was considered as prejudicial to Canada's export trade. Shipping services can only be regarded as an export by the country which makes them and consequently as an import by the country which receives them. A foreign customer for Canadian wheat, for example, has to pay both the cost of the wheat and its transportation, so that the dollar payment, which has to be made for wheat transported in a Canadian ship, is proportionately greater than if the overseas customer used his own vessel and his own currency.

This point was emphasized in the report issued as long ago as April 1944 by the Committee on Post War International Trade of the Board of Trade of Montreal in answering the question, "Is a Canadian Merchant Marine desirable for the development of international trade?" The course of events was, in fact substantially foreseen and the policy, which it suggested, has been followed. One of the gratifying results is the tremendous increase in the shipping services with which Canada is supplied, and not only has our export trade been adequately sustained in respect of shipping facilities, but our international trade relations have also benefited.

Moreover, it should not be considered that, because of the absence of Canadian flag vessels, Canadian initiative and interest in ship operating has been curtailed. In fact there has been a very important expansion, and a considerable number and tonnage of vessels under foreign flags are operated by Canadian firms. The significance of this is, of course, that it is perfectly feasible to control shipping through ownership or charter of foreign flag vessels.

It may be objected that under wartime emergency conditions, a country which is dependent on foreign flag shipping is placed at a disadvantage, but Canada's position as a producer of foodstuffs and raw materials ensures adequacy of shipping for export purposes, and other Canadian import requirements can in case of necessity be largely, if not entirely, met from the United States. Canada has also experienced two wars, during neither of which could the shortage of shipping for domestic requirements have been considered unduly critical, and there is every reason to believe that adequate pooling arrangements would be made if the need again arose.

U.S. GOVERNMENT POLICY

The policy in respect of shipping traditional with the United States differs entirely from that of Canada because of the insistence that overseas shipping is an essential industry and that the United States must be in a position to supply shipping needs in the event of war. For the purpose of maintaining such shipping on overseas trades an extensive system of subsidization is applied and administered by the United States Maritime Commission.

This system of subsidization has been most effective, providing, as it does, construction subsidies of up to 50% of the cost of vessels built in American shipyards, an operating subsidy to cover the difference in wage costs for American crews with those paid in the case of a selected type of low wage cost foreign operated vessel, and, perhaps most important of all during recent years, the direction to American subsidized vessels of 50% of all cargo shipments from the United States, financed by loans or grants of the United States Government and its agencies.

There is no doubt that operation of American flag vessels, thus rendered possible, has displaced foreign flag vessels and limited the opportunities of other countries, particularly European, to secure export earnings by providing shipping services.

The situation has been partly alleviated by the generosity of the United States in providing aid in kind and finance to the world, but nevertheless the report of the Commission on Foreign Economic Policy, made to the President and Congress in January 1954, recommended a revision of the merchant marine policy, and particularly "that the statutory provisions requiring use of United States vessels for shipments financed by loans or grants by the United States Government and its agencies be repealed". This Commission, frequently known as the Randall Commission, took a somewhat similar view to that which has actuated Canada's shipping policy, which cannot thus be considered unorthodox.

FUTURE EFFECTS OF DIFFERENT GOVERNMENT POLICIES

The difference and contrast between the policies of the United States and Canada in respect of shipping have not up to the present had any significance in the relations between the two countries or in their separate relations with other countries, but that position will become altered with overseas shipping routes from American Great Lakes ports, since the vessels employed on such subsidized routes must make their exit from and re-entry to the terminal American ports through the St. Lawrence Seaway, with calls at intermediate Canadian ports. The result will inevitably be to divert a certain portion of Canadian traffic, both export and import, to American vessels, thus displacing to an equal extent the services of the foreign flag vessels which would ordinarily carry it.

While it is not possible to estimate with any exactitude the volume of traffic which may be so affected, the seriousness of the situation becomes apparent when it is realized that it is not only the traffic between Canadian Great Lakes ports and overseas destinations which will be affected but also shipments from Montreal, Quebec and other St. Lawrence ports, at which other foreign flag ships were not previously subject to the competition of American subsidized vessels.

The announced intention of the United States will have a far-reaching effect, quite beyond what was contemplated when the American policy of subsidization was established. In some degree Canada's deliberate policy of providing a free and open market for shipping services will be subordinated.

RESTRICTING FOREIGN SHIPPING EARNINGS WILL CUT CANADIAN EXPORTS

That this will be done because Canada and the United States have engaged in the joint undertaking of developing the St. Lawrence Seaway will not relieve Canada of criticism, and the fact that Canada is not responsible, though it is providing some of the physical facilities to make it possible, will render it more difficult for Canada to assuage the feelings of those affected.

Since the war a very great change has taken place in the direction of both Canada's export and import trade. Proportionately Canada does a much bigger business with the United States than with all other countries combined. This is a situation which does not appear to be a temporary one, and, when it is considered that a large proportion of the exports of the United States depend on Government aid and

finance and that imports are severely curtailed by protective tariffs, one wonders if there is a growing isolation of the North American continent in trade.

Such a prospect is inevitably disturbing to Canada, both due to its restrictions and implications and by reason of the large adverse trade balance with the United States, which in 1956 amounted to $1,173,000,000, Canada importing over $4 billion of goods from U.S.A. but exporting less than $3 billion.

In contrast Canada's trade with all other countries combined was less than half as much, but provided a favourable trade balance to Canada of $439,000,000.

The resulting difficulties — aggravated as they are by the chronic shortage of dollars suffered by Canada's best customers and particularly the United Kingdom, which is by far the largest overseas buyer — have for years been of the utmost concern. To overcome this condition has been impossible and to ease it Canada has consistently refused to place obstacles in the way of imports, at times with most serious and even disastrous results on its own domestic industries. Nor is Canada in a very good position to accept imports from overseas because the market for consumer goods is both relatively small and more conveniently and perhaps logically served from the United States.

For these reasons the provision of shipping services is of such outstanding importance in Canada's international trade. Not only can shipping services play an important role in sustaining overseas customers, but they are the readiest form of exports which can be supplied, and, besides being entirely acceptable from every point of view, are not competitive with any Canadian industry and also helpful in extending Canada's export opportunities and connections. Under these circumstances even a small and what might appear at first glance an unimportant reduction in the availability of cargo to other foreign flag shipping through the inroads of American shipping may prove extremely serious, both in its economic and its political repercussions internationally.

ACTION REQUIRED

There is no way in which Canada could avoid this dangerous situation, but it would seem the simplest matter for the United States to forestall. At this stage the matter could probably be dealt with quite simply by the United States on an administrative level, since there does not seem to be any compulsion on the Federal Maritime Board to designate routes from American Great Lakes ports, and if that were not done no subsidy would be available.

When the shipping subsidization policy of the United States was established, it was not contemplated that services would operate from American Great Lakes ports, and therefore refusal to extend that policy to American Great Lakes ports would be going some way towards implementing the recommendation made by the Commission on Foreign Economic Policy.

I have emphasized primarily the international trade aspects, but one cannot ignore the fact that this is also one of the most important political problems which has arisen in the relations between Canada and the United States for a great many years. It has for long been characteristic of our two countries that we have worked together and argued with each other on a commercial basis. Questions of a political nature, when they have arisen, have generally done so as a projection of purely economic and commercial needs.

The matter now under consideration, however, arises purely out of the proposed political or rather administrative action of the United States and not only will it affect Canada immediately but it will be superimposed and therefore set aside the deliberately contrary policy of Canada in regard to shipping.

The fact must also be recognized that if subsidization of shipping from American Great Lakes ports were introduced, the responsibility would rest directly on the United States Government, since there are no established interests requiring protection, and this appears a grave responsibility and risk to accept in promoting a policy of which the advantages would be limited in the particular sphere concerned and have been seriously questioned by the Randall Commission.

"THE JARGONAUTS"

"One of the most exciting aspects of gold mining is the by-product known as jargon. This must not be confused with argon, an inert gaseous constituent of the atmosphere, or, for that matter, with argot and ingot. Jargon is semi-precious, and, at current rates of exchange, extremely valuable. It is found at all levels.

"A peculiar property of jargon is its diffuseness. A little goes a long way, and people who deal in it—they are known as Jargonauts—usually enjoy a high standard of living and remarkable esteem. Nevertheless, the substance needs most careful handling: in its raw or unrefined state it can be dangerous. People have been paralyzed, even blinded, by it.

"Jargon is found in considerable quantities in all the main mining areas, and immense reserves have been proved in America, Russia, South America and, of course, Africa. The library of the British Museum puts the tonnage at something quite astronomical per quarter. . . .

"1. *Levels, Cross-cuts,* etc. A gold mine is not a simple hole in the ground but a highly complicated warren of winzes, levels, shafts, inclines and stopes. To get at the gold and the jargon, and to make the plans more intricate, miners approach the metalliferous reefs from a number of angles. A mine is rather like a skyscraper in reverse; that is, a skyscraper designed for the nuclear age and buried head first in the ground, dolomite, lava, etc. . . .

"2. *Dip.* Gold seldom lies horizontally in beds of convenient thickness: more often than not it is found in steeply angled narrow bands or reefs, traversing our imaginary skyscraper diagonally like a shocking rumour. The angle of inclination is known as the dip. Philologists have always been puzzled by the stark brevity of this term: no one knows how it became current or when, or whether the Jargonauts were asleep or not when it crept into mining literature. Some mining engineers, it is only fair to say, have evolved and use rather interesting circumlocutory alternatives such as "declinatory drift", "canting degree", and "shelving downthrow". . . .

"3. *Stopes* (*See Marie*). Stoping is perhaps the term most convincingly employed by Jargonauts and needs, therefore, the closest attenion. According to *Webster,* a stope is "an excavation underground for the removal of ore, formed by mining the ore from a block of ground. In an *underhand stope* the ore is in the floor and the stope is usually a rude staircase; in an *overhand stope* the ore is in the roof and excavation is sometimes pyramid-shaped, but it may be of any shape, as determined by the outline of the ore body or by the method of stoping."

"Investors often fail to appreciate that the stoping width is usually greater than the width of the gold-bearing reef. The reason for this apparent extravagance is twofold: first the stope must be wide enough (at least 45 inches) to enable the miner to operate efficiently and, second, there must be enough space on diagrams to permit the artist to insert lettering such as "external waste", "barren rock" and "non-gold bearing". Experiments with smaller artists have had no appreciable effect on the optimum width of stopes.

"4. *Dwt,"* etc. The penny has ceased, in this age of creeping inflation, to be a significant monetary unit. But the pennyweight (dwt) survives in mining.

"Let us take the case of an imaginary reef, the Orange No. 2, which contains about 8 dwt to the ton. If the costs of stoping, etc., are more than £5 per ton, then obviously the mine will not pay. If the costs are reduced to £3 per ton, and the material excavated is all gold-bearing and jargoniferous, the venture should show a profit of £2 a ton.

"Unfortunately, as we have seen, the reef is seldom wide enough to afford the miner adequate elbow room, and large quantities of external waste may have to be removed with the gold-bearing ore. And any fool can see that this little fact completely upsets our calculations.

"Clever modern men find the average grade of a mineral by resorting to the formula:

$$\frac{\text{dwt x reef width}}{\text{stope width}}$$

"The product of the dwt and the reef width gives things known as "in.-dwt" or inch-pennyweights.

"5. *Recovery.* Many investors feel that their dividends would look brighter or more positively existentialist if their mines were run more shrewdly and hygienically.

"Well, the Jargonauts soon put our minds at rest. There is no 'shrinkage'. Everything possible is done to ensure that men and machine emerge goldless from the depths.

"There are no loopholes. Old machinery, which may have 'absorbed' a certain amount of dust during its lifetime, is smelted down and the odd grains are recovered by intricate mechanical and chemical processes. Even the literary side of mining is searched meticulously: this article, you will be pleased to know, its author and its editor, were all treated by the cyanide process, and every word and space was analysed in case a brick had ben dropped. Thur's gold, as someone once remarked, in them thur ells.

"If the Jargonauts themselves are dismayed by these revelations I invite them here and now to launch a counter-attack. My subject is economics."

—Bernard Hollowood, "Optima", December 1957, a quarterly review published by the Anglo-American Corporation of South Africa.

Putting MOTIVATION RESEARCH To Work

Consumer motivation research, or the use of the social sciences in marketing, is one of the currently "hot" subjects in that field. Despite voluminous writing on the subject, little has been done to help the businessman understand how, when and where he can use this new marketing tool. The following article is addressed primarily to the business executive who is wondering how motivation research might be used in his business.

DAVID S. R. LEIGHTON

IN many respects, the year 1957 might be said to mark the coming of age of consumer motivation research. While the controversy among marketing practitioners died down, the outpouring of words on the subject—both written and spoken—reached new heights. For the first time, thousands of Canadians and Americans became aware of Thematic Apperception Tests, the concept of Social Class, and Dr. Ernest Dichter, the High Priest of motivation research.

Chief agent in publicizing this hitherto rather obscure marketing tool to the general public was an ex-newspaperman named Vance Packard, whose sensational volume, *The Hidden Persuaders,*[1] hit the best-seller lists for non-fiction. Packard's book is a racy, glib, and over-simplified description of some of the work now being done in motivation research. The author greatly overplays his hand in portraying motivation research as a sinister plot against the consumer.[2]

In striking contrast, 1957 also saw the appearance of a scholarly and thought-provoking work which appears destined to be the authoritative work in the field for some years to come. Entitled *Motivation Research and Marketing Management,*[3] it is the product of three years' research by Prof. Joseph Newman of the Harvard Business School. While tending towards the theoretical, Newman's work contains much that is of practical interest to the businessman.

Coincidental with the publication of these two books came a veritable torrent of articles on motivation research in the journals, business publications and commercial newsletters of the U.S. and Canada. Psychology, Sociology and Anthropology professors suddenly found themselves in unprecedented demand as luncheon speakers at gatherings of businessmen. Nine out of ten of the public pronouncements on motivation research followed the same general pattern: describing how "nose-counting" has become inadequate, describing the techniques that have been borrowed from the social sciences to fill the gap, and often listing a number of dramatic examples where motivation research allegedly helped leading firms increase sales and profits.

All this is very well, and perhaps even necessary. But discussions of this sort are not of much help to the businessman faced with the necessity of running his operation from day to day. In the author's opinion, most businessmen don't need to be "sold" motivation research. Although one would

[1]David McKay Company, Inc., New York, 1957

[2]For a discussion of some of the ethical issues raised by Packard, see "Advertising is not a Plot", by Fairfax M. Cone, *The Atlantic Monthly,* January, 1958, p. 71.

[3]Harvard Business School, Division of Research, Boston, Mass., 1957.

hardly think so from reading current literature on the subject, most businessmen are keenly aware of the importance of psychological (or non-rational) buying motives on the part of their customers. They are much more ready to accept new concepts and approaches to marketing problems than most academicians, advertising and marketing research practitioners seem to assume.

If one accepts this premise, then the important question to marketing men is not "What is motivation research and is it any good?", but rather "How can *I* use motivation research in *my* company to help solve *my* problems?" In this respect, motivation research is in exactly the same position today as marketing research of more traditional types. And, as in the case of other forms of marketing research, the businessman is more concerned with the *use* of motivation research than with the question of techniques that up until now has obsessed most writers on the subject.

Let us take a look at the important questions that arise from this matter of the use of motivation research. A partial list might be as follows:

Where can motivation research be used?

How can motivation research be used?

Who should do the research?

How can the quality of the research be judged?

How can research findings be translated into concrete programs of action?

These questions, of course, could be considerably developed depending on the specific problem. The above list, however, should suffice to cover some major areas of interest in the use of motivation research. They will be used as an outline for the succeeding discussion.

In this discussion, the term motivation research will be used in its broadest sense as covering any and all methods of studying the functioning of the consumer's mind. The term is often misused to refer only to *techniques* such as indirect questioning, but Politz[4] has pointed out that logically any kind of questioning, direct or indirect, that seeks information on consumer motivation is motivation research. Furthermore, most of the work that has been called motivation research has not in the first instance probed directly into consumer *motives,* but rather into their psychological *attitudes* and *feelings* on the implicit assumption that these provide information regarding the motives behind consumer buying. Some writers have attempted to define motivation research as research into the reasons why people buy, but they consistently refer only to indirect questioning, apparently overlooking the fact that many of the reasons why people buy things are explainable in economic or other terms and are best obtainable through traditional methods of marketing research. For example, such things as climate, price and income obviously explain why people buy many of the things they do.

All this might seem like hair-splitting to the businessman, but in the author's view much of the controversy and misunderstanding concerning motivation research might have been avoided had people all understood the same thing when they referred to motivation research. To repeat, then, we will use motivation research to refer to any method of obtaining information pertaining to the functioning of the consumer's mind.

WHERE CAN MOTIVATION RESEARCH BE USED?

Motivation research, embracing as it does questions of buying behaviour, has potential use for marketing problems of almost any type. However, its most fruitful possibilities seem to lie in the planning of overall marketing strategy, in questions of product policy, and of advertising policy. Much of the use to date has been in connection with advertising appeals and packaging. These, however, are rather limited problems compared with the potentialities of motivation research in the broader questions of overall marketing strategy.

For the individual product, motivation research can identify not only the consumer's psychological needs, but can identify consumer attitudes towards a particular brand, and presumably help the manufacturer to determine whether the brand image or mental personality his product possesses is the *right* personality so far as maximizing sales is concerned. Chicago *Tribune* studies of automobiles, beer, cigarettes, and detergents, for example, show clearly that many of the individual products have well defined personalities, and that people tend to express and identify themselves with products of a particular personality. What the individual company should ask itself is whether efforts might profitably be devoted to giving its product a different personality. The "tattoo" theme in advertising for Marlboro cigarettes, for example, represented one step in a concerted campaign to give that brand a more masculine personality; other parts of the campaign involved a redesign of both the product and the package.

In this area of overall strategy, then, it is imperative for the businessman to know what, if any, "brand image" his product (or firm) has now. It is no less important to have some idea as to what that brand image should be. And finally, the business-

[4]Alfred Politz, "What is Consumer Motivation Research", *Proceedings of the Boston Conference on Distribution,* 1955, pp. 55-58.

man must know how to get from point A—where he is now—to point B, where he wants to end up. In all of these matters, motivation research can be of help.

The very nature of the information yielded by motivation research — attitudes towards products, brand images and consumer needs—indicates where and when it should be used. In the area of product policy, for example, information on consumer needs is basic. After all, marketing starts with the consumer, and the product—no matter what it may be —is merely a means to satisfy consumer needs. Thinking of consumer needs and wants first, and then devising the best possible product or service to meet these needs is the only sound approach to product planning. A leading can manufacturer who has stopped thinking of himself as selling tin cans and now considers his job as the marketing of product protection affords a good example of the consumer-oriented approach. Too often, taking the existing product as given and then devising ways to sell it has tended to stultify thinking in this important area of marketing.

Motivation research would seem to have its greatest potential use for the individual firm in cases where the usual so-called "rational" factors do not seem to provide a full explanation. For example, if a product is relatively standardized (i.e. close substitutes exist), the physical qualities apparent, and a slight difference in price would mean the gaining of a substantial portion of the market, the "non-rational" buying factors would appear to be of little importance and motivation research of limited potential usefulness to the individual firm. A good example would be refined sugar. This is not to say that for the sugar refiners as a group, motivation research could not be of help, but for the individual firm, it does not appear potentially very useful.

On the other hand, motivation research does appear to have great potential usefulness where brands and brand promotion assume more importance. This would be particularly true in cases where with physical qualities, promotion and distribution relatively equal, significant differences exist either in share of market, price, or both. Instant coffee and beer provide good examples.

In all of this, the question of cost is of great importance. Motivation research — *good* motivation research—is not cheap. Some motivation studies are reported to have cost as much as $30 an interview, compared to between $3 and $10 for an interview of the direct-question type. Like any other research, it must eventually be paid for out of profits. Elaborate research programs on questions of relatively little importance are obviously not justifiable; discretion and judgment must be used to keep expenditures at a reasonable level. At the same time, there is a danger that research may be scrapped because it fails to provide immediate, short-run benefits. Motivation research must be regarded as in the nature of a capital expenditure, and should be handled in the same way as other more common forms of capital expenditure.

HOW CAN MOTIVATION RESEARCH BE USED?

Motivation research is clearly not a substitute for Market Surveys, Sales Tests, Copy Tests, or any of the other traditional tools of Marketing Research. Each, when properly handled, seeks to obtain different types of information. Traditional market surveys using the direct question have provided and will continue to provide much useful information relating to the consumers of a particular product—where they live, where they buy, how often they buy, and sometimes even why they buy. Such facts are basic, and motivation research is clearly no substitute for traditional methods of obtaining them. Similarly, motivation research is no substitute for controlled experimentation, as is typified by market testing, in providing information on consumer willingness to buy a certain product. Motivation research does complement these older devices by providing information on, and new ways of looking at, consumer attitudes and needs not obtainable through other means. As such, it is a valuable addition to the marketing man's kit of tools.

The Chicago *Tribune* study on automobiles provides a good example of the strengths and limitations of motivation research. The study, based on a small sample, clearly showed that people could be meaningfully grouped into several classifications insofar as their attitudes towards certain makes of cars were concerned. Thus the manufacturers of Chevrolet and Chrysler were told that the people who bought these automobiles were, by and large, those who "want to avoid being too conservative or too extreme. They don't want to be conspicuous by being too reserved or too flashy. They want to keep up-to-date, being neither stodgy nor very 'advanced'. They think about practicality and realism too, but give a more active interest to looks, getting on the bandwagon."

Clearly, it is important to the manufacturer to know what type of people buy his product—not only in terms of income, sex, age, etc.—but also in terms of personality. But motivation research, without the aid of some of the more traditional research approaches, cannot answer the $64,000 question: *How many* people feel this way about our product? *How many* are there in the other categories who

don't buy our product? Where do they live? How old are they? What sex are they? And so on. The more traditional methods can provide such answers. Hence, it is by a combination of approaches that the really fruitful answers may be derived.

Newman[5] describes research as essentially (a) getting hypotheses, and b) testing them. He emphasizes the function of motivation research in producing ideas and hypotheses, as distinguished from a good part of traditional marketing research which has been more concerned with the *testing* of ideas and hypotheses. The same thought has been expressed in a somewhat different way by A. R. Graustein, Jr., Marketing Research Director of Lever Brothers Company:

". . . we have come to think of motivation research as essentially, an *idea source.*

"Ideas are a most valuable tool of our business operation, and we are very happy to get them in any way we possibly can. Once we have developed an idea through motivation research, we can turn it over to the marketing people and say, in effect, 'look boys, does this idea intrigue you enough so that it makes you want to take some new marketing action? If so, tell us what you'd like to do and how you'd go about doing it, and we'll then *test the effectiveness* for you in terms of old-fashioned nose-counting techniques."[6]

WHO SHOULD DO THE RESEARCH?

Motivation research is a job for specialists. Few firms are of sufficient size and have sufficient continuing need for research on consumer motivations that they can afford a full-time expert on motivation research. Moreover, even motivation research firms often find it necessary to bring the combined efforts of a number of specialists from different fields (psychology, social psychology, sociology, anthropology, etc.) to bear on a particular problem. For this reason, the research is best left to an outside firm specializing in such research.

How should such a firm be selected? A number of criteria might be suggested:

1. In general, firms which have been firmly wedded to traditional marketing research methods are not sympathetic to motivation research and may be offering it merely because clients have demanded it.

2. A firm with considerable previous experience in motivation research is more likely to have worked the "bugs" out of its methods and is also more likely to be of practical help in suggesting marketing problems where research can be applied.

3. A firm employing specialists with a variety of backgrounds in the social sciences is more likely to give a balanced viewpoint to problems of consumer motivation.

4. A firm with a reputation for good work from its previous or current clients is, of course, to be desired. Unanimity on this score is not a "must", but certainly a strong pattern of client satisfaction is a good indicator.

5. The individual members of the specialist firm should preferably have extensive and sound educational backgrounds at reputable institutions. Motivation research is only as good as its interpretation, and the quality of the interpretation depends primarily on the individual judgment of the interpreter. This requires strong academic training and experience.

6. Of somewhat less importance, but a factor to consider is the quality, experience and training of the interviewing force. Most forms of motivation research require considerably more skill on the part of the interviewer than do orthodox market surveys.

HOW CAN THE QUALITY OF THE RESEARCH BE JUDGED?

In traditional forms of marketing research, the businessman's job in appraising the quality of the research work is difficult, but in motivation research it is next to impossible. Market surveys, and to a lesser extent market tests, have reasonably well accepted standards of practice which the marketing man can use to judge the quality and limitations of the work done. Sampling practices, questionnaire design, interviewer control and the like have reached a relatively high point of development. The marketing man does not have to be a statistician to understand and judge the methods used.

With motivation research, the job of appraisal is different. Samples are relatively small and unstructured. Questionnaires are more in the nature of interviewing guides in many cases. The marketing man cannot hope to have the training in the social sciences necessary to appraise the interpretations made on the basis of the raw data. It is by no means unheard of for two highly skilled social scientists to draw different conclusions from the same data.[7] In motivation research, the interpretation is the key to the job and must be performed by a specialist; in market surveys of a quantitative

[5] *Motivation Research and Marketing Management,* op. cit.

[6] Address to the Sales Executives Club of New York, reported in *The Nielsen Researcher,* November, 1955.

[7] Both Newman and Packard, in the volumes already quoted, describe cases where this has happened.

type, the data-gathering is the key job, and the interpretation can often be made as well or better by the marketing executive himself. To say that the findings should check with the executive's experience is not necessary valid, for, as Newman says, "experience can be a poor teacher as well as a good one; that is one reason why more research into consumer behavior is needed."[8]

Newman suggests a list of questions[9] which might be used in appraising the soundness of research, but viewed in perspective the most important questions narrow themselves down to those relating to the qualifications of the research firm. As a practical matter, the marketing man cannot judge the quality of motivation research; he must pick the best people available and then have faith in their work.

HOW CAN RESEARCH FINDINGS BE TRANSLATED INTO ACTION?

The step involved in taking research findings and converting them into concrete action is crucial. Mistaken interpretation can be extremely costly.

Many motivation research studies, the Chicago *Tribune* reports among them, have attempted to go one step beyond a mere presentation of findings to recommended courses of action in advertising and marketing strategy. At this point, the motivation research specialists are treading on thin ice, for they are usually ill-equipped to grasp the complexities of the *total* marketing job, both by training and by virtue of the fact that they have generally been dealing with only one aspect of a much broader marketing plan. In the author's opinion, most attempts that he has observed to recommend action have been quite unrealistic.

The primary job of fitting motivation research findings into the overall marketing picture and translating results into action must remain with the marketing executive, using the counsel of the research specialist, of course. The experience, the perspective, the ultimate responsibility are all focused on the businessman. His job is not an easy one.

There are many pitfalls. One common one is to attempt to apply findings related to a product type in general (primary demand) to a specific brand within that product classification (selective demand). For example, the Chicago *Tribune's* Beer Study concluded that beer was a good common-man sort of beverage and should be put in believable, down-to-earth settings in advertising. The result was a spate of advertisements by competing brewers showing golfers heading for a beer after finishing their round, or husbands in cooks' garb grilling steaks at a barbecue pit. The themes, the appeals, even the characters in the ads, seemed uncannily similar. It might have been believable and might even have sold a lot of beer, but did it sell *X's brand* of beer? or Y's?

Take as another example, the *Tribune's* automobile study. Given that its findings were valid, what should the marketing manager of the "conservative" automobile manufacturer do? Should he try to convert his brand image to a more modern, up-to-date one? Or should he try to cultivate the "conservative" market where his brand image is already established?

These same kinds of problems are evident in the cases described in Newman's book. The findings of the studies were clear enough, but could easily lend themselves to two completely opposite courses of action. Obviously, the marketing man who thinks motivation research is going to solve his problems for him is sadly mistaken. If anything, the use of motivation research puts a premium on individual judgment and skill.

SUMMARY AND CONCLUSION

Most of the writings on consumer motivation research that have appeared have been primarily descriptive and have emphasized techniques. It is the author's view that this approach is of little use to the businessman who must use motivation research and is seeking some answers on a number of practical questions: How can I use it? Where and when can I use it? Who should do the research? How can the quality of the work be judged? How can the findings be translated into concrete action?

There are few if any ready answers to questions such as these. The author has attempted to suggest some criteria which can be used, and has pointed out some of the factors which should be taken into consideration. In general, it has been concluded that motivation research has become accepted as a useful new tool of marketing research, and that it must be handled in much the same way as the more traditional marketing research devices. Certainly, many of the problems involved in the use of motivation research are common to market surveys, sales tests, and other forms of research.

As with marketing research as a whole, motivation research is no substitute for the judgment and skill of the marketing executive. He remains the key man in the process of getting the goods sold, and it is he who will determine in the long run the extent of the contribution motivation research can make to more efficient marketing.

[8] *Motivation Research and Marketing Management*, p. 455.
[9] *Ibid.* ch. 13

How A Foreign Subsidiary Can

WIN FRIENDS IN CANADA

In advance of the invasion of Europe, booklets were issued to the American armed forces to prevent them from committing the worst gaucheries. The United States section of the Canada-United States Committee of the U.S. Chamber of Commerce published such a booklet on Canada in 1954: "Are Canadians Really?"

The following suggestions are more specifically intended for the managements not only of Canadian subsidiaries but also of their foreign parents to enable them to measure their own practice against what is thought desirable in Canada.

GORDON HUSON

INCORPORATION

Subsidiaries of foreign companies should preferably operate under a federal charter supplying the Secretary of State with full details of the directors, their nationality and residence.

A company should operate under one charter rather than a series of provincial charters.

ACCOUNTS

Subsidiaries operating in Canada should also supply the Secretary of State with full annual accounts and balance sheets.

Profits are the best indicator of a company's efficiency and service to the community and no company should feel ashamed of them. The public and community are interested and entitled to the information. Employees are particularly anxious that accounts be published. More often than not with foreign subsidiaries, unions have to operate in the dark.

Better and more accurate accounts are usually kept when a subsidiary is not 100% owned.

SHARE PARTICIPATION

Foreign subsidiaries should sell exclusively to Canadians an entire issue of preferred participating shares, each entitled to a vote.

The markets for these shares will be exclusively Canadian and their preferred participating nature will ensure their owners a fair share in the company's growth.

The trend of modern capitalism is towards more and more employee ownership of their own companies. This ownership usually arises partly from profit sharing plans and partly from plans to supplement pensions in this age of inflation.

In addition to ensuring good employee relations it is also good public relations for a company to have shareholders in the country in which it operates. Most shareholders are a company's best public relations officers. However, the lot of a minority common shareholder is not always a happy one. Shares must be widely distributed for the market in them to be satisfactory.

DIRECTORS

Foreign subsidiaries should welcome on their board of directors prominent and active Canadian businessmen from outside the company, not as mere figureheads but to help in top level public relations. This should be done even before there are Canadian shareholders.

Naturally Canadian shareholders should elect Canadians to represent them on the Board of Direc-

tors. Any block of Canadian preferred shareholders should have not less than two Canadian directors on the board.

OFFICERS

Enlightened subsidiaries of foreign companies have long since recognized that it is in their own best interests to employ Canadians, especially in the top positions.

Certain foreign subsidiaries have alleged they are unable to do this on account of the lack of suitable Canadian personnel. This shortage of satisfactory staff may be caused by the company's own non-Canadian policy, which discourages bright Canadians from joining and staying with the company because debarred from promotion to the highest positions.

RESEARCH

Foreign subsidiaries should spend on research in Canada at least the same percentage of sales as their parents are doing. A progressive research and development division is an important motivator of a happy staff, just as much as share participation and the possibilities of promotion to the top. Competition is becoming increasingly technological and the companies which get ahead are those spending the most on research. Leading subsidiaries in Canada such as Imperial Oil, C.I.L. and DuPont are spending substantial sums on research.

MEETINGS

Meetings both of directors and officers should be held in Canada. Absentee landlords are never popular.

EXPORT POLICIES

Foreign subsidiaries in Canada should in their earliest years enter aggressively the export market. The first impact of many subsidiaries on Canada's balance of payments is to add to the debits. Subsidiaries are usually involved in substantial payments in foreign currencies for plant and personnel. These claims to foreign currency become permanent if the final product includes "foreign content" and if dividends and interest are paid to the foreign parent. Subsidiaries should take the earliest possible steps to convert these debits into credits by aggressive sales in the export market; otherwise, in due course, the Canadian dollar will shrink in value and reduce thereby the value of both investment and dividends.

Exporting is another excellent staff motivator and the teaching of export know-how is a great advantage not only to the company but also to Canada. Activity in the export field is a good criterion of the vitality and social respectability of a foreign subsidiary.

Where a subsidiary has been established solely to export raw materials, these exports should not be tied only to the needs of the parent organization. Subsidiaries in Canada should be free to expand the scale of their operations by supplying not only their parent's needs but also the full extent of the open competitive market.

Where the Canadian subsidiary is only one of many foreign operations, including an international export division, the Canadian subsidiary should be given its full share of exports. In allocating exports the international export division should not only consider quoted prices but also the substantially greater saving in costs obtainable from allocating export orders to the small Canadian operation.

Subsidiaries in Canada should have their own full-time export manager and wherever practicable their own overseas representatives.

Canada remains a firm believer in competitive free enterprise and has an active anti-trust commission, whose duty it is to investigate all agreements in restraint of trade. A Canadian subsidiary is a separate organization and should not be hampered by restrictions in restraint of trade imposed by foreign owners.

PRICING

Subsidiaries in Canada should operate on the basis of buying their supplies in the cheapest market, i.e., not necessarily from their foreign parent. Purchasing agents should not only have the parent's list of suppliers.

Subsidiaries in Canada should sell their supplies in as many markets as possible and, if exporting, not exclusively to foreign owners: they should explore alternative and additional markets.

PUBLIC RELATIONS

Public relations officers should spend at least as much time "looking inwards" and advising management how to Canadianize their operations as they spend reporting outwards, attempting to acclimatize Canadians to alien operations.

PUBLIC WELFARE

Foreign subsidiaries should play their full part in community life: executives should lead community, church and school activities. They should contribute time to these and also money to education, endowed scholarships, pure research and charities.

"Public service by the individual has been and still is the basis of our social progress. Private endeavour has always been far ahead of lagging governments. Consider the health social services if you will, or consider education. Consider the patronage of art, the exploration of the physical world or the world of science. . . .

"That is still true in spite of the revolutions and changes that have taken place in our time, and are still taking place. But there is one point that we have to recognize in these revolutions and changes, and that is that the part of the individual is changing too. No longer is the individual—except in a few remarkable cases—able to have the impact he once had, or, still less, to carry the burden he once carried. This is largely just a matter of money, but not wholly so. The world now is so highly complicated, the problems have become so large, the machinery of action so difficult that these are not for the individual to handle, but rather for corporate bodies. . . ."[1]

OTHER CODES OF GOOD CONDUCT

Other codes of good conduct for businessmen contemplating Canadian operations are:

(a) (1) Don't be fooled by similarities;
(2) Learn all you can about Canada;
(3) Don't be beastly to bureaucrats;
(4) Try to understand the nature of Canadian nationalism;
(5) Take apparent hostility calmly;
(6) Don't scoff at Canadian caution;
(7) Keep calm about the dollar.[2]

(b) Don't take Canada for granted.[3]

(c) "Unless you are prepared to change your mind—and have your mind changed for you—do not undertake business in Canada. A Canadian venture, and indeed any international venture, is not merely an extension of the existing business, it is a *new* business in itself.[4]

(d) "If U.S. private enterprises abroad are managed in such a way that the host countries are convinced they are also promoting their economic and social development, then it is most likely that they will receive the cooperation essential to long-run survival."[5]

CONCLUSION

These suggested "do's and don'ts" are objectives towards which a foreign subsidiary should work as it grows into wisdom and maturity. Obviously, a new branch in its earliest days can achieve only a small number of marks in its favour. Imperial Oil began in Canada with all American officers but gradually has become Canadianized. No company below a certain size can be expected to sell its capital in Canada, do research or have an extensive overseas export organization, but all these should be objectives to be reached in time.

[1]Sir Hugh Beaver, British Management Review, July 1956, published in The Business Quarterly, Fall 1956.

[2]Sam Welles "So You Want to do Business in Canada", Fortune, August, 1952.

[3]Dr. G. E. Hall, President of the University of Western Ontario, Boston Conference on Distribution, 1955, p. 97.

[4]W. O. Twaits, Executive Vice-President of Imperial Oil, Comptrollers' Institute of America, Rochester, New York, May 1957.

[5]National Planning Association, Washington, D.C.

DEVELOPING THE UN-DEVELOPED

What is the Western World's responsibility, if any, for the more "backward" countries? Professor A. K. Cairncross, former director of the International Bank's Economic Development Institute, suggests in the December issue of *"The Three Banks Review"*, "just what we want such assistance to do, how much we can commit ourselves to, and what form our help should take".

"(1) we ought to help countries that are obviously trying to help themselves; (2) we should run big risks for big stakes (in this connection he refers to the present Indian experiment and observes that 'if it succeeds, and the West can claim a hand in its success', there will be a reaction in favour of the West all over the world); (3) there is no likelihood that private investment will of itself produce rapid development in the more backward countries; and (4) the West should take on some of the work of research and development that would allow the more rapid introduction of modern technique."

In support of the principle that borrowed ideas are the cheapest capital, Professor Cairncross writes:

"The under-developed countries need to learn not only how to borrow, but how to adapt what they have borrowed, since the technology of one country is never exactly suited to the industrial structure and economic environment of another. They need to find enough bolder spirits to put what they have borrowed to commercial use: a larger number of that comparatively small group who, in every country, are the first to absorb and give effect to new ideas, perceive new opportunities and plan new dispositions for the resources under their control, organize and innovate."

—*Industrial Notebook, F.B.I. Review, January 1958.*

Business Biography:

J. William Horsey

Continuing our series of biographies of Canada's businessmen, the Business Quarterly here presents Bill Horsey, pioneer of modern distribution, millionaire food magnate, educator and philanthropist. Despite success, his informal charm and unassuming modesty make him one of the most likeable though busiest men. As a living Horatio Alger success hero, he can inspire all starting out into the business world.

MARY ORDE

WHAT is the chief, continuing influence upon a man who rises from being a railway company clerk at the beginning of his career to direct several of the nation's largest food businesses at its peak? Ask J. William Horsey, for eighteen years president of Dominion Stores, and director of many other enterprises, both in Canada and the United States, controlling nationally known food products from orange juice to tea-bags, from fruit jellies to cake mixes, and he will probably reply: "Education". For it was education, the young Mr. Horsey realized, which distinguished one man from the next, and gave him the impetus to see farther and reach higher. And when he himself had attained some success in his business life, he devoted steadily more time and money to helping others educate themselves.

Now 66, John William Horsey, named after his grandfather, an English immigrant to Canada, was born in Buffalo, New York, the son of a Canadian who operated a retail store and later a tea and coffee business. "And when the Canadian citizenship laws were revised I took out papers just to make quite sure that I am a Canadian", says Mr. Horsey firmly. He grew up in Buffalo and went to public and high school there, but kept in close touch with his many Canadian cousins in the Kingston district. Bill Horsey, aged 16, started his career unremarkably as a traffic clerk with the Lehigh Valley Railroad, and stayed with the company for nine years.

INFORMAL EDUCATION

During his early working years in Buffalo, he was close to a young man five years his senior, whose friendly help Mr. Horsey now realizes was among the most significant influences in his life. His friend, who was also working with the railroad company, was very interested in young people. "This young man had been to a university, and after we had finished work we would go to his rooms, and he would teach me the course he had taken—inter-state commerce law. We sat over his books far into the night, but he never minded the lateness or the effort. He loved to teach, and I suppose his keenness on education must have been transmitted to me," says Mr. Horsey.

For three years he and his friend persevered with the course at night, and the habit of learning—"the hard way", Mr. Horsey stresses—has stayed with him. "I used to get up at 6 a.m. to read and study before going to work," he says. "I still like to go on learning something, and I continue the practice to the best of my ability."

In 1916 his traffic experience led to a job with the traffic department in Buffalo of the already large Fleischmann food organization. Here he began to gain an insight into the problems of food distribution in all its phases from point of production to the sales counter, and it was in distribution and retailing

that his career began to crystallize. After three years he was moved to the Toronto office of the company as assistant manager, and by 1929 Mr. Horsey had become divisional manager for Canada. When the Fleischmann Company became part of Standard Brands Ltd. in 1929, he was elected vice-president in charge of Fleischmann Products, and was later responsible for the sales direction of Chase and Sanborn Products. He took the presidency of Standard Brands Limited in 1934, and four years later joined Dominion Stores as executive vice-president. By November, 1938 he had been elected president.

SELF-SERVICE AND SUPERMARKETS

At this time the group owned 464 small corner grocery stores throughout Ontario, Quebec and the Maritimes, with an annual volume of $18 million. Self-service was just beginning to take root in the Canadian food industry. Everywhere the traditional small grocery gave way to larger, self-service stores which streamlined retailing and distribution methods, and added a new word to the North American language. When Mr. Horsey stepped from the presidency of Dominion Stores two years ago to become chairman of the board, the company had an annual sales in the $300 million region, and 300 units, the majority of which were supermarkets, with plans for scores more right across Canada.

CITRUS INDUSTRY STABILIZED

But this huge enterprise was by no means Mr. Horsey's only concern. Soon after the 1939-45 war, he and his son Grant became interested in the citrus industry of Florida, which was passing through a difficult phase. Rapid expansion of the citrus growing and processing business had outstripped demand. Lack of sound organization and of knowledge of modern merchandising among the many small operators was hampering the industry. Against this background the J. William Horsey Corporation was formed, with Mr. Horsey's knowledge and experience in distribution and merchandising as one of its chief assets. Within a few years the industry, completely reorganized to meet modern conditions, was on a firm footing. Quality of conventional canned juices was improved, and frozen concentrates were developed, contributing much to the present prosperity of Florida's staple industry. Mr. Horsey's part in this revival was gratefully recognized by the Florida Southern College, which in 1951 conferred an honorary doctorate on him.

The Horsey Corporation later acquired interests in quick-frozen fish products, and in 1955 diversified its activities further with the linking of the packaged food organization of Shirriff's Ltd. In 1957 the Salada Tea Company became a third link, to make up the giant Salada-Shirriff-Horsey Corporation, with Grant Horsey, son of J. William, as president.

ASSISTANCE TO EDUCATION

In addition, Mr. Horsey has interests in bakeries, banking, soft drinks, and several other companies. But even with these multiple undertakings he has found time to help others—and particularly young people. "I like to give them a hand, because I had to learn things the hard way," he says. Among other things, "giving a hand" took the form of active interest in the development of the School of Business Administration at the University of Western Ontario, and for several years financing the J. William Horsey Fellowship at the School. His latest effort in this direction was the honorary chairmanship of Western's $6½ million building fund, which has all but reached its target within five months. He is also a life Governor of the Faculty of Commerce of Laval University, Quebec. Other concerns which engage him seriously are the Inter-Varsity Christian Fellowship, of which he is a director, and the Upper Canada Bible Society, of which he is vice-president.

Outside his business life, Mr. Horsey, a stocky, grey-haired figure with shrewd blue eyes and a keen sense of humour, has a close family circle which includes his Canadian wife, Clara—they were married at Lachute, P.Q., in 1914—a son and daughter and four grandchildren. He fishes and hunts, but does not regard himself as really keen, and prefers swimming and riding—"though my wife doesn't like me to ride much now". With her he shares an interest in travel. "We like to go to Europe about once a year," he comments. They particularly love England, where both had family connections. The Horseys originated in a little Somerset village, and the present John William Horsey has named his pleasant home in Toronto "Maubank" after the ancient family home. He and his wife also combine business with pleasure as often as possible with visits to the sunshine of Florida, where they maintained a house at one time. But Canada is definitely home to Mr. Horsey, and he has known and lived in most of its major cities during his fifty years' career.

The Case For
PRODUCER MARKETING BOARDS

Increasing numbers, outside and without vested interest in agriculture, are concerned about producer-controlled marketing boards and confused by the complexities of producer marketing. In this article the President of the Ontario Hog Producers Association outlines his personal views on producer-marketing boards, and on hog marketing boards in particular, and discusses why he thinks these boards fulfill an important function in our democratic, competitive Canadian economy. In the belief that solutions cannot be reached to such questions without an understanding of the viewpoints involved, the Quarterly thus has undertaken to provide a medium of expression for Mr. McInnis' views on this controversial subject.

CHARLES McINNIS

EFFORTS of producers in many parts of the world to increase their control over the selling phase of their farm operations have taken many patterns. Frequently it has been done through government flow-prices, direct purchases and bonuses. The best known example of this is the United States Government's commodity support program. This program has resulted in the U.S. Government tying up some $8 billion of taxpayer's money in surplus farm commodities and in loans directly related to this support program. It has also prompted the U.S. Government to dump millions of dollars worth of farm products on world markets at fire-sale prices, which action has unduly depressed world agricultural prices.

Elsewhere, some producers have come to grips more directly with their marketing problems through voluntary co-operatives, where farmers own their own retail and wholesale companies, and where dividends are paid on the basis of volume of business each farmer does with his co-operative. In many countries co-operatives are very popular because producers have a direct involvement in their own business.

In Canada, the Federal government has played an important role in the marketing of farm products through its non-incentive floor price program, and through the Canadian Wheat Board. However, Canadian farmers have not asked, nor urged their governments to assume all the responsibility for the marketing of farm products. This is evidenced by the large numbers of co-operatives in every province; by the wheat pools in the prairie provinces; and, by the emergence of producer marketing boards, particularly in Ontario, British Columbia and the Maritimes.

HISTORY OF PRODUCER MARKETING BOARDS

Producer marketing boards as we know them today are a British institution born within the Commonwealth, and within the setting of British principles of democracy. They were originally developed in Queensland, Australia and took their first shape there in the Queensland Wheat Pool Act of 1920, which two years later was followed by the Queensland Primary Producers Act.[1]

The essential feature of the Australia Acts, and subsequently their U.K. and Canadian counterparts is that where the majority of the producers of a com-

[1]Reliable sources on the history of Canadian farm marketing are:
—"The Ontario Marketing Boards", G. F. Perkin, Journal of Farm Economics, Vol. 33, No. 4, November 1951.
—"The Development of Producer Marketing Boards in Canadian Agriculture", Leonard E. Poetschke and William Mackenzie, Department of Political Economy, University of Alberta.

modity desire to sell their product collectively, the minority may be compelled by law to join in a common sales policy.

The British Columbia Produce Marketing Act of 1927 was the first attempt by Canadian producers to set up a producer marketing organization. In 1929, British Columbia passed further marketing legislation, the Dairy Products Sales Adjustment Act. In 1931 the 1927 Act was declared ultra vires, and in 1932 the 1929 marketing legislation was declared ultra vires. The Court's decision in both cases was based on the contention that the province's marketing legislation extended powers to the marketing boards which went beyond the boundaries of the province and into inter-provincial trade, an area which was strictly the prerogative of the Federal Government.

The next piece of marketing legislation to appear on the Canadian scene was at the Federal level, the Natural Products Marketing Act, which became law in 1934, and soon had 22 marketing plans operating under it. In 1937 the Privy Council ruled this legislation unconstitutional, because it infringed upon the rights of the provinces.

Hardly was the Act declared unconstitutional when the Ontario government passed its own marketing legislation, the Farm Products Control Act of 1937. Later, this Act in one of its many amendments was renamed the Farm Products Marketing Act which is its present day name. Alongside this Act, today, is the Milk Industry Act, which provides for the marketing of dairy products on a basis comparable to that provided for other farm commodities under the Farm Products Marketing Act.

In 1949, some 12 years after its previous marketing legislation was found unconstitutional, the Federal Government introduced and passed the Agricultural Products Marketing Act. This legislation permits local boards to exercise in inter-provincial trade the same powers which the provincial legislation allows them to exercise within the province.

By 1940, all provinces except Quebec had passed some form of marketing legislation; and, in 1956 Quebec too, had its marketing legislation. In 1955 the Ontario Farm Products Marketing Act and several regulations under the Act were referred to the Supreme Court of Canada, and in 1957 the Court's decision found that the Act, as it applied to products produced and consumed within the province, was valid.[2]

[2] For a concise and authoritative interpretation of the Supreme Court's 1957 findings see: Annual Report—Farm Products Marketing Board, Ontario Dept. of Agriculture, Toronto, Ont., for the year ending March 31, 1957.

The Court's finding made it clear, however, that for products produced within the province, but consumed beyond the boundaries of the province, the producer marketing groups had to secure their authority through the Federal Agricultural Products Marketing Act.

Having both the provincial and federal marketing legislation under which to operate, coupled with some slight amendments made last year based on the Supreme Court's 1957 findings, Ontario's marketing boards' operations are completely legal and constitutional.

The scope and importance of marketing boards in Ontario is seen in the fact that under the Ontario Farm Products Marketing Act, sixteen boards are currently in operation, covering twenty-eight crops with an approximate value of about $200 million. The other four marketing groups covering milk and milk products, and operating under the Milk Industry Act, market products having a total value of approximately $150 million.- Thus, today in Ontario there are twenty marketing groups concerned with farm products having a total annual value of $350 million.

WHY PRODUCER MARKETING BOARDS?

To answer this question let us look at the hog industry in Ontario. By uncovering what factors prompted hog producers in Ontario to organize a marketing board, some inkling will be gained as to what things have moved farmers to create marketing boards.

In 1941 the Ontario Hog Producers Association was organized. Four years later, in 1945, the Association's marketing board came into existence as a result of a vote in which out of 29,757 people voting, 29,353 voted "yes" or 98.6% of total votes cast. Assuming a total of 40,000 hog producers in Ontario, this vote (in which 29,363, or over 70 percent of all eligible voters, said "yes") gave an overwhelming support to the plan. In 1953, the Marketing Board appointed a Sales Agency. The Agency's job was to sell Ontario's annual $100 million hog crop to packing companies, and to mail settlements for these hogs to their owners, plus a range of other major responsibilities, which are discussed more fully later.

Today, some seventeen years after the Hog Producers Association was organized, the Association's scope of operations has been markedly increased. But, one must not lose sight of the fact that this Association, its marketing board and its Sales Agency did not happen all in one day just because a group of farmers decided it would be pleasant to have a fraternity of hog producers; or, because hog pro-

ducers thought it would be a nice pastime and sport to develop a block of farmer strength to annoy politicians, transporters, and the packing industry. The many seeds which sprouted the Hog Producers Association and its affiliate organizations had their origin many years before 1941.

THE HOG INDUSTRY

In the eyes of many, conditions in the livestock industry and one of its main segments, the hog industry, have had a rather unsavoury history on the North American continent. In 1887, John A. MacDonald, after winning the Federal election, reported to the Governor-General that the opposition party had among other things received in Montreal alone, nearly $100,000 from the Chicago meat-packers who formerly controlled the Canadian Livestock Market.[3]

In 1919, the U.S.A. Federal Trade Commission submitted a report on the U.S.A. meat packing industry, which in the following year resulted in the U.S. Department of Justice charging five major meat-packing companies with violating the anti-trust laws. This was the second time the industry had been faced with such a charge. At the turn of the century similar charges had been levelled against them.

The Trade Commission report of 1919 forthrightly stated:

> "The Combination among the Big Five (packers) is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of livestock and controlling the price of meat . . . the power of the Big Five in the United States has been and is being unfairly and illegally used to: Manipulate livestock markets; restrict interstate and international supplies of foods; control the prices of dressed meats and other foods; defraud both the producers of food and consumers; crush effective competition; secure special privileges from railroads, stockyard companies, and municipalities; and profiteer."[4]

The Trade Commission report, which was a lengthy one, including 9,000 pages of sworn evidence, set out suggestions to effect fundamental improvements in the livestock industry.

From the point of view of many producers, the most depressing evidence brought forth by the American investigation was the fact that the packers through a very simple method manipulated the price and indirectly the standard of living of the producer. In this connection the Trade Commission report stated:

> "A much simpler and equally effective plan was then evolved in the form of a livestock pool, providing substantially for the division of purchases of the cattle, sheep and hogs sent to market according to certain fixed percentages, which could be agreed upon for long periods and needed to be changed only when conditions greatly altered, as, for example, when one of the big packers purchased an independent plant. This division of livestock purchases is not only an automatic regulator of the relative volume of each of the Big Five, but also secures substantial uniformity of prices paid for livestock and consequently of the prices at which dressed meats are sold. In brief, the prearranged division of livestock purchases forms the essential basis of a system by which the big packers are relieved of all fear of each other's competition and, acting together, are able to determine not only what the livestock producers shall receive for their cattle and hogs, but what the consumer shall pay for his meat."[5]

The charges levelled by the Federal Trade Commission so concerned the packers that they voluntarily agreed in 1920 to a set of propositions known as the Packer's Consent Decree. Under the terms of this decree the packing companies agreed to divest themselves of many of their holdings beyond their meat-packing operations. More recently, however, three big packers have asked the Federal District Court to modify the 1920 decree to permit them to enter the retail grocery field.

In the 1930's and 40's Canada took time to have a look at her own livestock industry and there found conditions which had many similarities to the U.S.A. situation. The 1937 Royal Commission report on Price Spreads stated:

> "There was uncontradicted evidence given to us by a former official of Canada Packers Limited in Toronto that it was the usual practice for this firm to arrange with Swifts before the market opened as to the price to be paid for purchases of livestock. Also the manager of the Western Stock Growers Association, one of the largest ranchers in Alberta, gave evidence that if a packers' buyer gave an offer for cattle on the ranch, it would not be raised by any other packer-buyer on the ranch or in the stockyards."[6]

[3] John A. MacDonald—The Old Chieftain, Donald Creighton, p. 470.

[4] Report of the Federal Trade Commission on the Meat Packing Industry, June 24, 1919. Page 32 of the Summary.

[5] Ibid., page 49.

[6] Report of the Royal Commission on Price Spreads, 1937, page 162.

The report noted in particular that one significant and disturbing characteristic of the livestock trade at the time was an increasing tendency towards direct-delivery of animals:

> "The third factor which has affected competition is the fact that the packing companies have very vigorously developed a system of direct shipment of livestock to the packing plant instead of to the stockyards."[7]

Said the report about this tendency:

> "From the foregoing it will be observed that the producer shipping direct is largely in the hands of the packer as to weights, grades and prices. Such a producer in effect delivers his livestock to the packer and trusts that he will be treated fairly as to weight, grade and price. He is unprotected by an agent or by any regulations except in the grading of hogs. In these circumstances it is not difficult to see who is in the strong and who is in the weak position."

> "These direct shipments therefore have the effect of breaking down the price upon the public yards, and when this price has been so broken down to a level satisfactory to the packer, then he secures his necessary supply. Not unnaturally, it follows that on a slow or draggy market, prices are easily depressed."[8]

In order to secure an authoritative analysis of the hog market situation in Ontario, the Ontario Hog Producers Association secured the services of Dr. Lattimer, formerly an economist at MacDonald College, Montreal. In an extensive report which Dr. Lattimer submitted in 1950, he made strong condemnation of the practice of direct-delivery:

> "This is such an unsatisfactory method of marketing as to be almost unbelievable. No better method could be devised of depriving the feeder of bargaining power."[9]

DIRECT-DELIVERY AND BARGAINING POWER

As was already said, the seeds germinating the development of the Ontario Hog Producers Association, Marketing Board and Co-operative were sown many years before 1941, when the Association was formed. Out of the Chicago-packers' election monies which flooded into Canada before the turn of the century; out of the U.S.A. Federal Trade Commission's investigation into the conditions of the livestock industry in that country; out of Canada's two price spreads' investigations; out of Dr. Lattimer's findings; out of the indignation of many hog producers at the Canadian meat packers' practices of receiving some 90 per cent of Ontario hogs direct at their plants from transporters who were being paid bonuses by the packers; and, out of the packers' refusal to discuss or negotiate prices with the Hog Producers Marketing Board before the Board set up its Sales Agency—these things helped generate the overwhelming momentum which provoked Ontario hog producers to look into their industry and vigorously to seek remedies.

It was this matter of direct deliveries which brought things to a head in Ontario.

Previous to July 1956, Ontario's hog industry had this pattern: Over 90 per cent of all Ontario hogs were picked up at the farm and were moved directly to packing plant premises. No effective selling was done on these hogs. They were dumped at packers' plants without prior agreed price. The remaining approximately 10 per cent, or less, of Ontario hogs were delivered to the Ontario Stock Yards in Toronto and were sold by agents. It was said by some that it was this 10 per cent, or less that was setting the price for the 90 per cent of hogs delivered direct. But, it was even worse than this, because many of the hogs delivered direct to the plants outside Toronto brought a lower price than that paid on the open market in Toronto.

There was, therefore, no open-market in Ontario strong enough, or representative enough, to set a price on hogs. The price was being set mainly by the big packers, and the allocation of Ontario's weekly hog crop to packers was also being controlled at that level of the industry.

Many hog producers across Ontario were perturbed about conditions in Ontario's hog industry. With only ten per cent of Ontario's total annual $100 million crop of hogs being sold on an open market under competitive bidding, and the balance moving direct to packing plants, they agreed with the Royal Commission Report which said that this condition broke down prices on the public yards and placed the producer in a position where his bargaining power was nil. In my judgment, what incensed many Ontario farmers particularly was that transporters were being paid bonuses by the meat packers to ignore the public stockyards and to deliver hogs direct to packing plants. These bonuses in effect were being used to eliminate open-marketing and competitive bidding. A number of Ontario hog producers decided that the time had come to take corrective action. The packers' excessive influence

[7] Ibid., page 162.
[8] Ibid., page 162.
[9] Confidential Report on Hog Marketing and the Hog Industry to the Ontario Hog Producers Marketing Board by Prof. J. E. Lattimer, April, 1950.

over hog prices had to be pared down, and Ontario farmers freed of the undue and unjust control which was being exercised over the hog industry and our farm income.

It required thirteen painful years for Ontario hog producers to organize their Association, the Hog Marketing Board, and the Sales Agency (the Sales Agency is called the Ontario Hog Producers Co-operative); and, it required another three years to put the organizations into full forward action. After overcoming a series of resistances and legislative complexities during a period of sixteen years, hog producers finally found themselves prepared and able to move. In July 1956, the Hog Co-operative commenced remodelling Ontario's entire hog market, and in the 18 months that have followed, dramatic changes have been effected in that market.

A NEW MARKETING PATTERN

Ontario hog producers through the Ontario Farm Products Marketing Act were given powers to direct transporters to deliver Ontario-produced hogs to specified points; and, given powers which permitted it to direct packing companies to receive only those hogs which had passed through producers' marketing points.[10]

With these powers the Co-operative, as the Sales Agency of the Marketing Board, was enabled to carry out its sales policy of selling to the buyer willing to pay the highest price and of delivering hogs only to those processors who had already purchased the hogs from the Sales Agency. In order to carry out this policy effectively the Hog Co-operative in 1956 and 1957 established marketing points across Ontario where hogs were assembled and sold. Many of these marketing points, of which there are 14 today, are linked with the Co-operative's head office in Toronto by teletype, which provides instantaneous communication. All the selling is done at the Co-operative's sales offices in Toronto. This means that whereas before July 1956, Ontario hog producers had only one open-market to which they could send their hogs to be sold; today, they have the choice of 14 open-markets across the province. They now have the freedom to choose with each shipment of hogs to send their hogs to any one of these marketing points.

Today, as a result of the directional program of the Ontario Hog Producers Co-operative, the old marketing pattern for hogs in Ontario has been greatly changed. Over 80% of Ontario's hogs are moving through the marketing points of the Ontario Hog Producers Co-operative. This means that less than 20 per cent of Ontario produced hogs are being delivered direct to packing plants, and when marketing points are opened all Ontario hogs will be sold on open-markets. It also means that the possibility of what in my opinion is a most pernicious system of pre-arranged percentage division of Ontario hogs among the big hog buyers has been eliminated. The Ontario Hog Producers Marketing Board has considerable evidence to indicate that such a system existed here in Ontario — a system which the U.S. Federal Trade Commission thoroughly condemned because it was used to determine what the producer received for his hogs.

Thus, now a big percentage of Ontario's hogs are under producers' control and are delivered to the packers' plants only after they have been sold by expert salesmen of the producer. It also means that the packers' system of bonusing transporters is being gradually wiped out.[11]

Put simply—the Hog Producers Association and its affiliate organizations equip farmers with sound salesmanship in the marketing of their hogs, so that the farmer can exert some influence on the market and can earn the best price that the market will yield at any given time. The producers' hog organizations are dedicated to assisting the farmer to secure just and competitive prices, to secure a reasonable standard of living, to secure honest weights, to secure proper identification of his hogs,[12] and to create and maintain honest competition in the market place.

SOCIAL JUSTIFICATION

Having certain powers delegated to it from the Ontario Farm Products Marketing Act, how then does the Ontario Hog Producers Marketing Board's program relate to, and strengthen, Canada's competitive and democratic economy?

Before answering the question, let us first look at this label "competitive democratic economy".

[10] Section No. 11 in the Regulations of the Ontario Hog Producers Marketing plan.

[11] It is interesting to note that on June 13, 1957, the Automotive Transport Association of Ontario issued a letter condemning this transporter bonusing by the packing industry. The letter said that this bonusing practice was discriminatory and made for unfair competition among truckers.

[12] In the years 1946 to 1951 the Ontario Hog Producers Marketing Board attempted to negotiate and determine a policy which would make it necessary for the transporters of hogs to tattoo each producer's lot of hogs before they were mixed with other hogs, and to leave a receipt with the producer stating the number of hogs received and the tattoo number. The Board was given powers under provincial marketing legislation to negotiate on this point with the trade. To the disappointment of many Ontario hog producers the authority to do this was taken away from the Board and transferred to, and placed under, the Grades and Sales Act, and finally placed under the Livestock and Livestock Products Act. To date there is no evidence of any extended efforts being made to enforce these regulations, and it is estimated that for fully 50 per cent of the hogs that are marketed in Ontario the producer has no definite evidence to prove that they were his hogs that were weighed, graded and even paid for.

Concurrent with the emergence of large business corporations, there has been an increasing tendency on their part to institute public relations departments whose main function is to convince the public that these companies are good citizens, in fact to convince the public that these companies have souls and social consciences. In a recently printed book dealing with this question one finds this statement:

> "The large corporation is an institution that must find social justification."[13]

In some instances, however, this new drive by large corporations to develop social consciences and to seek to publicize the existence of their consciences has, in my opinion, come a little late. In fact, so late that many producers have been compelled to take action to correct a market situation which was neither competitive nor democratic.

Marketing boards were born out of necessity in a desperate move by farmers to give themselves a power that matched the power already acquired by large corporations, by labour and by retail stores. In the case of the meat packing industry, the hog marketing board has emerged because many producers believe the industry has defaulted. Four meat packers in Ontario purchase about 60 per cent of the province's hog production, and the purchasing practices of these giant corporations permitted and abetted the virtual disappearance of public marketing of hogs; in addition the packers apparently participated in a regular arranged percentage division of the weekly Ontario hog crop. It was to their advantage temporarily to promote direct-delivery and they hastened and maintained this pattern by bonusing the transporter.

Today, it is the view of many producers that because the Big Four did not promote and support open-marketing and competitive bidding on a proper scale (open-marketing and competitive bidding are highly regarded institutions in a democratic, competitive economy) they have been directly responsible for making it necessary for farmers to organize themselves into marketing boards.

Farmers are realists. They recognize that changes have occurred in our democratic, competitive economy and that our present-day economy is fractured into large power-blocks — industry, labour, and the consumer.[14] They recognize, too, that because of this fracturing that they as individual traders have suffered. But, many are wise enough to realize that they can't halt this emergence of large power-blocks in our economy.

Rather than try to change the present-day economy, many farmers recognize that if they are to have a standard of living comparable to other segments of the economy, they have to abandon much of their rugged individualism and find a means of democratically organizing themselves into an economic block; or, better still, into a "countervailing power" as Professor Galbraith so aptly calls it.[15] Our marketing boards are this "countervailing power".

The marketing boards are a self-help and self-government method which the farmer is utilizing to regain lost bargaining power, and a method to counteract effectively the excessive downward pressures on producer prices which are being exerted by large corporations. They are a countervailing power working against the monopolistic practices of certain segments of the trade. In my opinion, the marketing boards are a built-in safeguard of our Canadian economy, just as is the Combines Investigation legislation.

VOLUNTARY MARKETING

Some people suggest that producer marketing boards (where the majority of the producers of a commodity desire to sell their product collectively, the minority may be compelled by law to join in a common sales policy) would be better discarded in favour of a marketing operation where participation is voluntary.

In the Gordon Commission Report on Progress and Prospects of Agriculture there is a documentation on voluntary co-operative effort to market certain farm products:

> "The growers gradually concluded they could never hope to gain very much from voluntary co-operation. In their view what was needed was legislation which would permit 100% control of the product."[16]

DEMOCRATIC BASIS OF MARKETING BOARDS

Farmers, by full-fledged elections, vote in marketing boards so if they want to discard them, they vote them out. These votes are held under strict government supervision. Annually marketing boards hold elections for the provincial directors and officers. Should the Minister of Agriculture feel that a marketing board is abusing its powers or has lost its support, he may call a vote, or he may even dissolve

13 Great Enterprise—Growth and Behaviour of the Big Corporation, Harrymon Maurer, page 12.

14 American Capitalism—The Concept of Countervailing Power, J. K. Galbraith.

15 Ibid., page 159.

16 Royal Commission on Canada's Economic Prospects—Progress and Prospects of Canadian Agriculture, January 1957, page 293.

a board.[17] This is the democratic system which farmers have developed out of necessity to protect themselves, and to effectively live in an economy of power blocks. This is a form of democratic self-government.

The public should be relieved to think that farmers have not asked the government to nationalize the processing industry and be rid once and for all of the dangers of their power. Nor have hog producers asked for excessive government price supports for their industry. Rather, with good self-help, sense, and with a system having built-in democratic process, they have created marketing boards which are able to meet big industry at their level of power, skill, and resource. By so doing the marketing boards are remedying what they consider to be abuses which beset not only the producer, but also the consumers.

Marketing boards are a product of our 20th century Canadian economy. With a history of 30 years behind them in Canada, our boards have proven their worthiness—economically and legally.[18] They were born within the Commonwealth, every province in Canada has marketing legislation, and they were all born out of situations comparable to the hog industry. An examination of the history of Ontario's Milk boards will reveal their magnificent accomplishments in putting the milk industry on a sound footing.[19] As long as there will be large processing companies, strong unions, powerful retail chains — there will have to be producer marketing boards.

Farmers are not idealists to the point of remaining rugged individualists while other segments of our economy gird themselves with power and influence, and with that power squeeze the individualists to death. Farmers, too, like to live! And, they don't want to be told by outsiders and well-wishers that they should remain rugged individualists.

[17] Section 4, Ontario Farm Products Marketing Act.

[18] Since 1931, Canadian Courts and the Privy Council have examined and re-examined provincial and federal marketing legislation. After repeated reappearances before the Courts for some twenty-seven years, there is every indication that the matter of provincial and federal jurisdiction as it relates to the matter of marketing legislation has been finally settled. Legally, these marketing boards are now on safe ground.

Economically: Ontario marketing boards have, through their bargaining power, brought better prices to Ontario farmers. An examination of the history of the milk industry demonstrates this. In the matter of hogs, the difference in prices paid for hogs in Ontario as compared with prices at Winnipeg, Edmonton and Calgary has shown a steady increase in favour of Ontario in the period since Ontario hog producers' Sales Agency has increased its sale of hogs through open-marketing points.

[19] Report of the Ontario Royal Commission on Milk, 1947.

"FRONTIERS ARE NO BARRIERS"

Just off the Virginian bank of the Potomac, less than thirty miles from Washington, a gambling ship is anchored. This ship constitutes a floating threat to the morals of Virginia, not to mention those of the District of Columbia. Both forbid gambling and Virginia only permits alcohol to be bought by the bottle from state liquor stores. In Maryland permission to sell liquor by the drink and to install the minor gambling devices known as "fruit machines" or "one-armed bandits" is by county option.

It is through this legal loophole that Mr. Carl Hill, a lawyer with a background in the nightclub business, has steered the S. S. *Tolchester*. It is moored below the low-water mark and therefore in Maryland, opposite one of the four counties which permit gambling and drinking. The ship, which is open all round the clock, has one deck completely banked with rows of slot machines at which elderly ladies work away all day as if they were on an assembly line. On the upper decks, on which a notice reminds patrons that ties and jackets must be worn at all times, there is a first-class restaurant, six bars and, during the season a dance orchestra playing. But this is only the beginning . . .

Apart from the politicians and diplomats and local Virginians groaning under puritanical laws whom Mr. Hill is hoping to tempt out for a whiff of high life, his main purpose is to provide a site for business conventions and a health centre for ailing businessmen. In the hope of saving them from ulcers, more and more companies are sending their top executives off every few months to be toned up. Mr. Hill plans to equip his health centre with a complete staff of doctors, nurses and masseuses. And if anyone is itching for a drink, all he will have to do five years from now, if Mr. Hill's dream comes true, is to step on an escalator in the hotel in Virginia and move down a glass tube into a plastic-enclosed "tear-drop" cocktail lounge suspended from steel girders ninety feet over the Potomac. It will, of course, be in Maryland.

—*The Economist, Nov. 30, 1957.*

International Education For Management

Why and what is the Economic Development Institute? Why does an inter-governmental institution, particularly the International Bank for Reconstruction and Development, concern itself with "training" or "education" in anything other than purely technical matters?

MICHAEL L. HOFFMAN

PROBABLY, if the Bank had to rely on annual appropriations from parliaments or member governments, as do most international agencies, the Economic Development Institute would have remained one of those ideas generally recognized as good but never advanced beyond the project stage. The difficulty of persuading governments and parliaments in North America and Western Europe that any practical good could come of a few months' course, designed for senior administrative officials from underdeveloped countries and dependent territories, would almost certainly have discouraged any international sponsor. There is a perfectly natural tendency, reflected in numerous fellowship and scholarship programs that are supported from international budgets, to suppose that anything in the nature of training ought properly to be done mainly in universities or in the form of field research in appropriate areas. The only important exceptions that I know of, prior to the foundation of the Economic Development Institute, were the so-called trainee programs in which officials of member governments, usually quite junior officials, are brought into the international agency for the period of a few weeks or a few months to learn about its operations, with a certain amount of quasi-academic instruction thrown in.

Fortunately the World Bank was in a better position than most international agencies to give expression to the deep conviction, acquired by its management during the first 10 years of the Bank's operations, that something more than fellowships and trainee programs was necessary. By 1955 the Bank had long been financing its operations out of earnings and indeed had built up substantial reserves out of earnings on its world-wide investments. It did not need to make a case to parliaments for an extension of activities that its own Board of Directors considered to be in the Bank's long-run interest. It did, however, submit the plans for the Economic Development Institute to the test of examination by two great foundations, the Ford and Rockefeller Foundations, both of which agreed with the Bank's view of the need for an experiment in a different kind of "technical assistance" to member countries and both of which generously supported the Institute financially during its first three courses. It should be added, parenthetically, that the alternative of developing programs in universities to meet what the Bank conceived to be the real need of its member governments was thoroughly examined and rejected in favor of the establishment of a separate institute which, by now, has become a regular part of the World Bank.

HISTORY

Yet the question remains, why should the World Bank be in this kind of business? What is the Institute trying to do? The fundamental answer to the first question is that the management of the Bank became convinced during its early years of operation that in most of the countries now commonly known as underdeveloped (which means most of the Bank's member countries outside Northwestern Europe and

Canada and the United States) the quality of management of economic affairs in governments and major public institutions was interfering with orderly economic development at least as much as anything else. It became increasingly obvious that this was not a problem that could be solved by money alone or by delivering admirable lectures on theories of economic growth. One cannot read any of the reports of Bank survey missions or of its economic and technical missions from those early years without being impressed with the recurrence of the theme that bad management of the resources that countries have is at least as great a stumbling block to development as the inadequacy of the resources themselves. The Bank, in short, became convinced that if anything could be done to improve economic management in the Bank's member countries the investment involved would be sound in the fundamental sense of the term.

The Institute was organized in 1955 and began operations at the beginning of 1956. Fourteen participants from as many countries took part in the entire program for the first course. Eighteen participants from sixteen countries (and two from the staff of the Bank) were in the second course. This year twenty-two participants from eighteen countries are taking part in the third course.

The period of six months has been found to be about right. A shorter period would necessitate eliminating important parts of the program, such as field trips. On the other hand, governments would be unlikely to release senior officials for a longer period. Indeed, one difficulty in recruiting participants of the desired quality is the reluctance of governments hard pressed for competent officials to let their good people take six months away from their desks.

COURSE CONTENT

The program of the Institute has developed along four general lines. The core of the work is the seminar sessions which normally take place five mornings of the week. These consist essentially of a presentation by an expert and discussion by participants of some specific aspect of economic development problems. This method is very flexible and enables us to deal with a wide range of topics, from historical studies to case studies of specific Bank loan operations or analyses of the probable significance of nuclear power in underdeveloped countries. The seminars are supplemented by more formal evening lectures on topics of general interest by recognized authorities in various fields. Afternoons are normally free for keeping abreast of the substantial amount of assigned reading and for individual work. But we have found ourselves more and more gathering in small groups on week-day afternoons to discuss matters of special concern to some of the participants.

The second feature of the program is a series of field trips. These fulfill at least three purposes. We are able to give participants a first-hand impression of a wide variety of industrial, agricultural, power and transport operations and to discuss management problems with responsible executives in both private and public organizations. The field trips provide a very much needed break in what would otherwise become an intolerable routine of reading, lectures, and discussion. Finally, they help to satisfy some of the very natural curiosity of our participants about North America, its people, its towns and its way of life. This year we have been able to take the entire group to Mexico on one of our field trips to see and learn about one of the most striking examples of rapid growth in a developing country.

Thirdly, participants are encouraged to engage in at least one individual project during the course of their stay at the Institute. Many participants welcome the chance to do special work on problems of particular interest or importance to them or their countries. Some do not respond to this opportunity and we in no sense attempt to impose any requirements under this heading. Nevertheless, much of this individual work produces material of value to some or all of the other participants and some of it is useful in successive courses.

Finally, the Institute serves to open up new contacts with sources of technical information and documentation. To many of our participants this is clearly one of the most valuable things we do for them. This is a continuing function in the sense that Fellows of the Institute (those who have completed the full course) are free to call on us for help in obtaining information or establishing contacts with qualified experts in various fields after they return to their own countries.

EXTRA-CURRICULAR DIVIDENDS

Of course, the Institute does something for participants that is probably more valuable, although perhaps less tangible than any of the four things mentioned above. I refer to the exceptional opportunity given our participants to learn from each other. The atmosphere of free discussion and fairly intimate association, to which incidentally the field trips contribute greatly, is highly conducive to a process of mutual education which, I expect, is far more effective than anything participants get from the

staff or outside contributors. It is quite remarkable to see how, in the course of the six months, the seminars gradually shift from a series of bilateral discussions between the chair and individual participants to real debates between participants on specific issues. It is also surprising and gratifying that many participants, as they come to feel more at home with us and their colleagues, freely comment on policies of their own governments. This is one reason why we make no records of our discussions and emphasize that everything said around the table and in the club room is to be held in confidence within the group.

SPEEDING PROGRESS

It would be presumptuous to draw any firm conclusions about the problem of transmitting knowledge and experience in an international setting from the short period during which the Institute has been in operation. Nevertheless, small as it is, our fund of experience in this particular respect is perhaps as large as any and does provide the basis for some reflections on the broad question of what, if anything, can be accomplished by this kind of conscious endeavor to speed up the processes of economic growth by concentrating on a small number of senior administrative officials.

We start, of course, from the assumption that experience is more relevant to the problems of economic development than any *a priori* economic theories. We start, specifically, with the experience of the World Bank. There can be no doubt that some kind of transmission of understanding does take place in the course of the process, often tedious, of surveys, analyses, negotiations and follow-up procedures involved in the Bank's lending operations. Results, of course, vary greatly from country to country and there are many disappointments. But any loan officer of the Bank can cite numerous cases in which visible and durable changes for the better have taken place in the management of economic affairs as a direct result of the whole range of the Bank's contacts with this or that member country. The Institute tries to extract as much of this experience as can be put down on paper or embodied in discussions with Bank officials, rather than to "teach" in the sense of attempting to transmit a body of doctrine from "us" to "them". This approach attempts to draw principles out of experience. If one can draw an analogy from the area of technical assistance, we are not trying to transmit techniques from advanced industrial countries to retarded countries to be applied unaltered (as might, perhaps, be perfectly proper if one were dealing, say, with the eradication of malaria), but rather to develop new techniques from the experience of the underdeveloped countries themselves and from the experience of the Bank in aiding its member countries. We get Bank economists to discuss development programming, and economists from our sister organization, the International Monetary Fund, to organize our study of exchange rates, exchange controls and related matters. We have been fortunate in obtaining the collaboration of many senior officials of the United Nations in parts of our work for which the growing experience of the Secretariat is particularly relevant and valuable. We are constantly experimenting with new ways of communicating knowledge and experience from these and other sources to our participants and, through them, we hope, to their governments and countries.

ARE ECONOMIC THEORIES INTERNATIONALLY RELEVANT?

In the field of economics proper, we have found ourselves up against a similar problem of communication. It was discovered in the very early days of the Institute that comparatively little published material was relevant to the practical problems of administrators or economic advisers in underdeveloped areas. This situation has improved considerably. A great deal of thought and research is being devoted by economists all over the world to the special problems of poor, non-industrialized economies just emerging, or trying to emerge, from centuries of economic stagnation and, in many cases, political disorder or colonial domination. Even so, a great deal of the work done by economists in the West is directed to other economists in the West or to policy problems faced by the advanced countries in their dealings with underdeveloped areas. Much of this seems irrelevant to our participants.

Professor Galbraith has recently suggested that one weakness of Indian economics is a tendency to defer to foreign authority on matters of economic policy and to assume that from "economics" as it has developed in the West, some body of doctrine applicable to Indian conditions ought to be derived and written down in a book. Galbraith also noted in India the prevalence of an uneasy feeling and lack of self-confidence among Indian intellectuals about their country's economic policies. He concluded that Indian intellectuals are probably making a mistake to think that they can borrow their economics from abroad. He urged them to have more confidence in their own capacity for improvising and worry about constructing a theory of economic policy for India later, when they can look back and see what happened.

None of this means that the method and approach of Western economics are of no value to

economists and others in a position to influence economic policy in underdeveloped countries. I am quite convinced that most branches of economic theory have something useful to tell us about ways of tackling problems of economies that differ widely from those societies out of which modern economics has emerged. But these things require interpretation and, when it comes to specific techniques, adaptation. I agree with Galbraith that the economics of underdeveloped countries will be written eventually by economists from underdeveloped countries, not by us in the West.

THESE ARE MANAGERS

Participants in the Institute are by no means all trained economists. This means that we could not, even if we wanted, conduct the course on the assumption of a common foundation in advanced economic analysis. This is probably a very good thing. It is all too easy to become fascinated with techniques such as input-output analysis, national accounts, and the construction of growth models. Some of our economists feel that we pitch our level of economic discussion too low and that we ought to give participants more of what they consider advanced techniques. We have steadfastly resisted this pressure on the grounds that there are plenty of other places one can go for advanced economic training and, more fundamentally, that people who come to the Institute are not supposed to be the people who do technical economic analysis but the people who hire the people who do technical economic analysis.

Indeed, the staff has come to feel that too much familiarity with highly refined economic techniques is likely to do positive harm in the circumstances in which most economists operate in the governments or organizations of underdeveloped countries. Highly refined methods of economic analysis set on top of a foundation of poor basic data and used in a framework of inefficient or even corrupt administration are dangerous. We think it would be a great mistake, for instance, for most of our member countries to try to adopt the planning techniques of the Netherlands Planning Bureau. What we have tried to do, with the help of Professor Tinbergen and some of his associates, is to extract from the experience of the Netherlands Planning Bureau some techniques that can, with judicious handling, be used to improve the decision-making processes in underdeveloped areas. But I am by no means sure how far we have succeeded in this respect.

ONE LANGUAGE — ENGLISH

One of the most difficult problems in conducting an international course of this nature is language. The Institute has to work in English. All Bank and Fund documents are in English. As is not true in the UN, there is only the one working language. Even if this were not so, it would be impossible to do the kind of work done at the Institute using interpretation in seminars. Apart from the expense of operating a simultaneous interpretation system, there is the difficulty that people do not really discuss when they communicate through interpreters—they make speeches. This is not what we want.

Now this language limitation is a serious one. Those parts of the world best able to profit from the work of the Institute are not necessarily those in which senior officials know English well enough to work in that language. Within any one country, there is no necessary correlation between knowledge of English and intellectual capacity or knowledge of English and degree of responsibility for economic management. We have great difficulty getting participants from French-speaking and Spanish-speaking parts of the world who meet all the other qualifications and also really know English, to say nothing of the problem in China and Japan. The makeup of the Institute has an unfortunate and inevitable bias because of this factor. But if our experience proves anything, it is that no matter how good a man may be by every other standard, it is almost useless for him to spend six months at the Institute if he does not use English readily and without undue strain. Some institutions engaged in training people from many countries might solve this problem by conducting courses alternately in, say, English, French and Spanish. Unfortunately we cannot, if only because the problem of translating Bank documents, which form the great bulk of our reading material, seems insuperable.

PROBLEMS OF UNDERDEVELOPED COUNTRIES

The program of the Institute concentrates on the problems of underdeveloped countries. Many people infer from this that we ignore the fact that what happens in the "developed" part of the world bears directly on the prospects of economic growth in the "underdeveloped" part. I am afraid that most of the formal descriptions of our work encourage this interpretation. This is one of the many areas in which the staff would quickly be put on the right track by the participants if it failed correctly to evaluate their needs and interests. They are keenly interested in obtaining the best possible information about trends in the economies of the United States, Canada and Western Europe and about developments in the Soviet bloc of countries which, of course, is unrepresented at the Institute, as none of them are members of the Bank. Indeed, I have the impression that we are spending more and more time on the

problems of the impact of the "industrial" on the "non-industrial" countries, on changes in the pattern of world trade, factors determining the availability of export capital, future demand for raw materials, implications of the European common market and other questions of this nature.

Because they are living in Washington, our participants are inevitably surrounded by an American atmosphere. The newspapers they receive daily and the television programs they see are American. We try to emphasize in every way possible that the Institute is part of an international institution responsible to many governments, including their own. So far we have managed to have a truly international resident staff. In the short period of its existence the Institute has had resident staff members (not all for the whole of a course) from India, Britain, the Netherlands, Mexico and the United States, and visiting staff (for one or a few seminars) from many other countries. We do not include in our regular program any study of American problems except a lecture on long-run growth prospects for the American economy and a "case study" of the factors that led to the "take off" into industrial growth in the American economy in the nineteenth century (one of several such studies of the experience of industrial countries). Indeed, we probably lean somewhat backwards in this effort to avoid giving the impression that we are influenced by American viewpoints and, particularly, by American interests. The fact is that with every group we have had to introduce seminars or extra sessions on aspects of the United States government's operations and on American policies in various fields in response to the insistent requests of our participants. As long as the initiative comes from our participants, we are happy to arrange (sometimes for only one or two interested persons) contacts with American government or private agencies whose activities, policies and experience are important for our member countries.

STEPPING STONE TO PROMOTION?

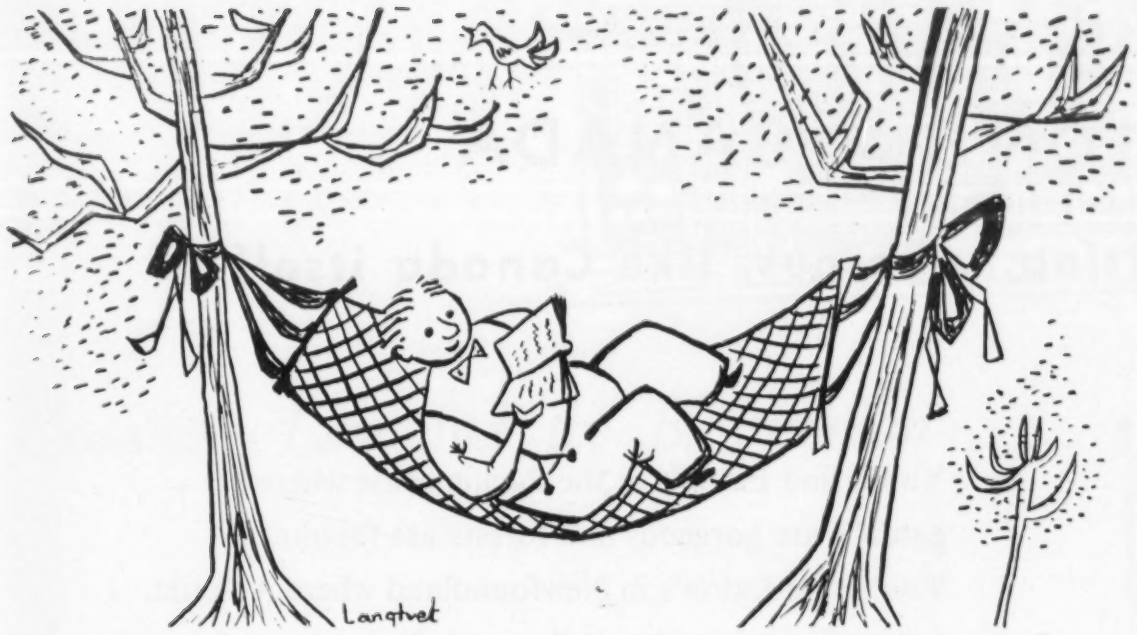
Professor Frank Knight used to say that there is no visible connection between what is taught and what is learned. In Institute terms, I might say that we know what we are putting in but we don't really know what participants are taking out. This is partly, in our case, because the participants are "putting in" as much, if not more, than the people who happen to sit at the head of the horseshoe table. It is partly because our objective is intangible and unmeasurable. There are no examinations or achievement tests at the Institute. It is partly because we suspect that politeness and a strong feeling of group loyalty leads many of our participants to give more credit to the Institute than in fact is due. I am perfectly willing to take credit in certain circles for the promotion that a Fellow of the Institute receives after returning home. But was he promoted because he came to the Institute or was he sent to the Institute because he was due for promotion? We do not honestly know. In the area in which we are working, and with the kind of participants we have, one new idea about the organization of public enterprise, or one new argument with which to confound a wastrel finance minister could easily make a difference of hundreds of millions of dollars in a country's gross national product. It is the possibilities suggested by this consideration that makes it seem practical to work with twenty earnest and sincere men (out of a population of 800,000,000?) for six months each year.

1958 IN U. K.

To sum up my "slant" on 1958, it may appear that I take a rather sombre view of the prospects of the British economy in these coming twelve months. Yet I do not feel particularly gloomy about them. Certainly I do not expect 1958 to figure as an *annus mirabilis* in our history. It will obviously make a hesitating start. There will be the great hurdle of the wage negotiations to surmount. There are the uncertainties of the American economic scene and the payments difficulties of the countries affected by the fall in commodity prices to be faced. These are tentative entries on the debit side of 1958's account, though we do not know their magnitude.

But there are potential entries on the credit side too. Above all, there is the hope that we may at last succeed in arresting the debilitating malady of inflation which has been with us so long. If our people accept the monetary discipline which the present Government and Chancellor of the Exchequer have proposed to them, then the economic system cannot fail to benefit from its tonic effect. In the world of today and with modern facilities for the training and transference of workers displaced from their previous jobs there is no reason at all to expect that the discipline will have severe effects on employment. It should certainly lead to a new drive towards efficiency and economies in production. So I for one cherish the hope that for British industry and commerce, and therefore for Britain, 1958 will improve as it goes on.

—Sir Oscar Hobson, F.B.I. Review, January 1958.



BOOKS FOR THE BUSINESSMAN

PERSONALITY AND ORGANIZATION

by Chris Argyris. Harper & Brothers, New York, 1957. 291 pages. $5.00.

For several years Chris Argyris has been trying to pin down some areas of common agreement among the numerous and varied approaches to the study of human behavior that behavioral scientists have taken so far in the twentieth century. Many people who have come into contact with work in the behavioral sciences (psychology, sociology, anthropology, general semantics, human relations) have concluded, and been disturbed, that behavioral scientists seemed to be going off in at least a hundred or so different directions; and Chris Argyris was probably no exception in holding those views himself. He was exceptional, however, in hoping he could do something about the situation. In trying to find some sources of common agreement among the behavioral scientists, he pursued an ambitious assignment. It is interesting to consider his latest effort — *Personality and Organization* — in relation to his prior efforts to work his way, and to help others of us work our way, through the maze he saw.

One approach he has taken has been to acquaint himself thoroughly with the research studies of other behavioral scientists. In the beginning it appeared that he was going to share those efforts of his with others by publishing short summaries or condensations of the different theoretical schemes within which different behavioral scientists were working. His first summaries were of the field theory and interaction theory schools of thought. In doing that, his audience was plainly behavioral scientists, not businessmen certainly. Presumably his hope was that behavioral scientists, in having looks at their similarities and differences among themselves, as they could see them sharply reported in his descriptive summaries of their methodologies, would take steps themselves to come together on common grounds.

This effort he pursued further in a publication titled *The Present State of Human Relations Research.*[1] In that review of existing research studies, however, he classified similarities and differences among behavioral scientists more by their "schools of employment" than by their "schools of thought" as he did in his earlier work. He described in the later publication what behavioral scientists at several different universities were doing and the approaches they were taking to their studies of human behavior. He was writing again to behavioral scientists primarily, and his purpose remained to review non-evaluatively the work that others were doing, presumably still to give behavioral scientists a sharp look at themselves.

At almost the same time that he was writing *The Present State of Human Relations Research,* he produced another kind of summary of existing studies that was more relevant for people who read book reviews in *The Business Quarterly.* This was a book titled *Personality Fundamentals for Administrators.*[2] That book marked an important juncture in Argyris' development, and as such merits some attention in this review. For one, he was beginning to take a clear interest in business organizations and the problems of

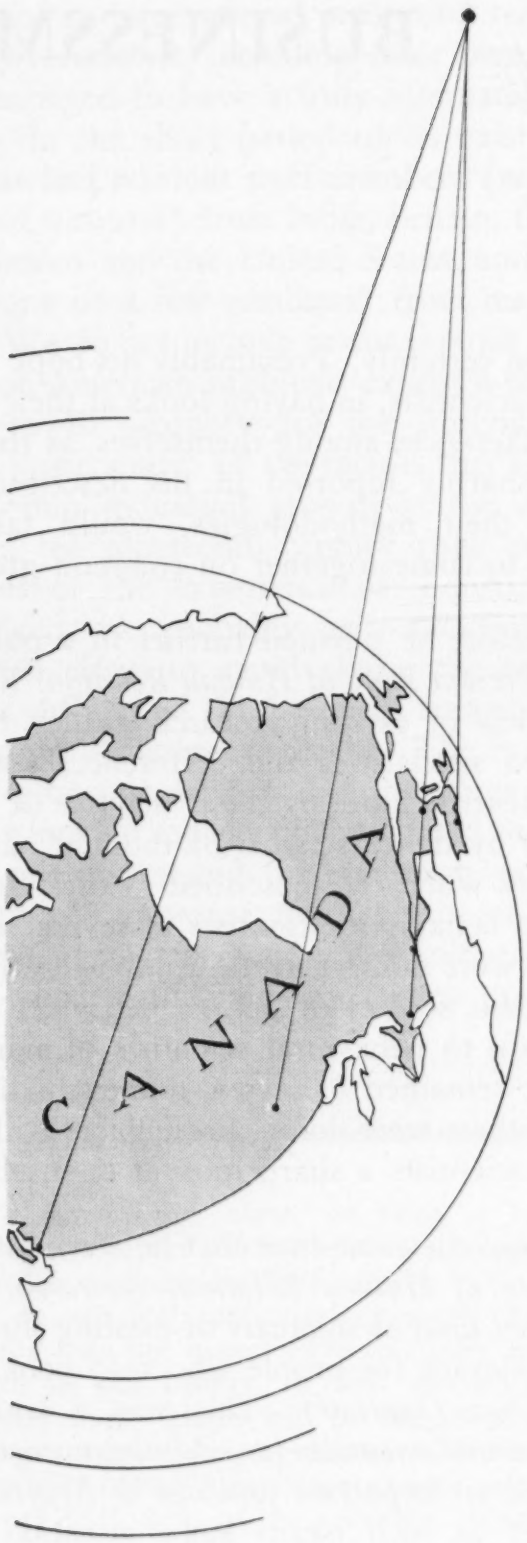
[1]Labor and Management Center, Yale University, New Haven, 1954.

[2]Labor and Management Center, Yale University, New Haven, 1953.

(Continued on Page 56)

EATON'S OF CANADA

. . . vast, exciting, vigorous, like Canada itself



You'll find Eaton's at the Pacific coast where gardens are gorgeous and forests are fabulous. You'll find Eaton's in Newfoundland where Atlantic icebergs loom on the skyline and the land is rich with iron. Eaton's is here, there and everywhere, across Canada from ocean to ocean—on the French-speaking banks of the St. Lawrence; in the big cities; in the market towns and mining towns; alongside the wheatfields and oilfields; on the fringe of the prairies and the foothills of the Rockies.

EATON'S is the largest department store organization in the British Commonwealth: Department Stores; Mail Order Centres with Catalogue circulation in the millions; Order Offices; Factories . . . Eaton's is as Canadian as its 85% bought-in-Canada merchandise; as cosmopolitan as the famous products of other lands imported through buying offices in the British Isles, France, West Germany, and the U.S.A. . . . Like Canada, Eaton's dates back to mid-Victorian days—founded in Toronto 1869, by the grandfather of the present Head of the Company.

THE T. EATON Co LIMITED

Canadian Law and the Businessman

JOHN P. ROBARTS, Q.C., M.L.A.

THE Hospital Insurance Scheme to be introduced into Ontario on January 1st, 1959 will affect every business man in the community, both in the benefits provided for his employees and personally. This article will set out briefly but completely the benefits available, the conditions of eligibility and the mandatory features, the position of employers and the dates by which the various steps must be taken, and finally a brief comment on the basic plan of financing and the premium rates to be charged.

The benefits provided are much broader than any benefits presently available under private plans. The following hospital services are available to in-patients:

1. Accommodation and meals at standard public ward level,
2. Nursing service, *excluding* private nurses.
3. All laboratory, radiological and diagnostic procedures, including interpretation.
4. All drugs and biologicals which are approved and scheduled by the Hospital Services Commission.
5. Operating room, case room, anaesthetics, surgical supplies, radiotherapy for cancer, physiotherapy facilities, and all other services normally provided by hospital personnel.
6. Out-patient services for emergency admissions, providing the individuals concerned are received as "out-patients" within 24 hours of an accident, and finally, but certainly not least important,
7. Care and treatment in mental and tuberculosis hospitals.

Although the plan is confined to standard ward care, there are other very broad features which result in a coverage of the major part of the non-medical bills of those persons requiring hospitalization. Benefits are available to all those paying premiums and also those who are receiving social assistance payments on a means test basis. The following list of non-limitations is very significant in providing complete protection which has never been available to Ontario citizens under private plans:

1. No limitation on length of stay in hospital, and no limitation due to either age or occupation. Thus is removed from the individual and family the ever-present threat of the catastrophic illness, particularly in old age, which in the past has resulted in the dissipation of life-time savings in so many cases. The lack of age limitation puts the scheme within the reach of all our senior citizens.
2. No limitation or exclusion will exist for pre-existing conditions. This will mean assistance to those who are experiencing now or who may anticipate the need for extensive hospital care and services.
3. Benefits will be available to all recognized social assistance cases whose inability to pay has been demonstrated by a means test. This class will include needy persons receiving old age security and assistance payments, blind persons' allowances, mothers' allowances, and disabled persons' allowances. These premiums will be paid by the Province.
4. Benefits for those in mental hospitals and tuberculosis sanatoria will be provided with no deductions from old age pensions or old age

assistance payments, providing the premiums are paid. This will result in savings to both the patient and in many instances, his family.

5. All the above benefits will be available in public hospitals, mental institutions, tubercular sanatoria, chronic and convalescent hospitals which are approved by the Hospital Services Commission.

It is obvious why this scheme of benefits must be limited to standard ward care. There is no reason why any individual should not provide for himself through a private plan any additional standard of care he may desire. Also, it must be borne in mind that the scheme deals with hospitalization only, and no medical benefits are provided. Undoubtedly, many people will provide protection for themselves against the cost of these services through private insurance.

Some small mention will be made of eligibility and of the mandatory features of the plan. The plan is open to everyone in Ontario regardless of age, occupation or condition of health. The condition of eligibility is payment of the premium on a monthly or quarterly basis, and as has been already mentioned, those persons receiving social assistance who are unable to pay the premium, will have it paid on their behalf by the Province. The scheme is available to those persons presently in approved hospitals on the same basis.

All employees of firms employing fifteen employees must enrol in the program. It is anticipated that this compulsory feature will be extended as the administrative organization of the scheme develops.

All others including groups of employees, individuals, and the self-employed groups will have the full benefits of the plan available to them on a voluntary basis. It is and will be the aim of the Government through the Hospital Services Commission to obtain the broadest possible coverage throughout the population of the Province.

All firms with fifteen or more employees must register their employees by August of 1958, and must pay the initial premium in December of 1958, thus making each employee eligible for benefits as of January 1st, 1959.

All individuals who are not included in the groups of employees of fifteen or more must register for coverage and pay one month's premium by October 31st, 1958; premiums are then paid on a quarterly basis commencing in January 1959. This will provide for three months' prepayment at all times. Individuals who do *not* enrol prior to October 31st, 1958 as set out above, will be required to wait a period of six months following date of application before becoming eligible for benefits. This provision is necessary to prevent persons joining immediately prior to entering hospital. It also provides a strong incentive to the individual or self-employed person to enrol immediately in the program.

The projected costs of the plan have been carefully studied but are of course very difficult to predicate. The total cost for 1959 is estimated at 210 millions of dollars, of which the Federal Government will contribute 74 millions, and the Provincial Government and the beneficiaries the balance of 136 millions. The consolidated revenue fund of the Province will meet 61 millions of this amount; the balance of 75 millions will be provided by the premiums payable by those benefitting.

Premium rates will amount to $2.10 for a single person per month, and $4.20 for a family. A family is deemed to be parents and all dependent children up to and including 18 years, and those over 18 years who are financially dependent through physical or mental disability. In comparing these rates with other private plans, consideration must be given to the broadness of the cover provided and the fact that the rates are based on the expected increased costs of hospital operation in 1959.

FAITH

The pioneers who came to this continent had faith or they would not have come. When a man starts a business, even a small one, he has faith that he can succeed.

Great businesses also are founded on faith. In the steel industry some large investments, such as in iron ore, are made many years ahead in the belief that the world will always need steel.

In the shorter run new blast and open-hearth furnaces and other plant and equipment are planned some years ahead and take scores of millions of dollars to construct.

There can be no running for cover in the steel industry. Stelco has faith that Canada will go ahead whether or not business is up or down next week.

STELCO
THE MARK OF QUALITY

THE STEEL COMPANY OF CANADA LIMITED

HAMILTON - MONTREAL

CERTIFIED PUBLIC ACCOUNTANT

Honour graduates in Business Administration interested in extending their practical and theoretical training in accounting will find The Certified Public Accountants Association of Ontario, incorporated in 1926, a very suitable medium.

Theoretical instruction is provided by courses conducted for the Association by the University of Toronto Department of Extension, and practical training may be obtained with a public accountant or by general accounting duties in business.

Exemption from the first-year course and the Primary examination may, upon application be granted and an additional year may be allowed if the applicant has had acceptable accounting experience.

Membership in the Association gained by graduation as a "Certified Public Accountant" qualifies for a licence to practice in Ontario as a public accountant and opens many doors to high executive and administrative positions in industry and in the public service.

For further particulars apply to

THE CERTIFIED PUBLIC ACCOUNTANTS ASSOCIATION OF ONTARIO

228 Bloor Street West Toronto 5, Ontario

Books for Businessmen — cont.

businessmen. Second, he was writing to businessmen themselves, not just to the behavioral scientists. And third, *Personality Fundamentals* seemed to mark the last of his efforts to publish summaries of the different theories of human behavior as separate and distinct schools. He was beginning to say to himself what were the common agreements and what were the fruitful conclusions among the disparate works of the behavioral scientists that he had worked his way through in previous years. A few excerpts from that book show this latter shift in his thinking clearly:

> "We do not want to imply that all theories of personality are in agreement. There are differences, some major, and some minor. But, these differences are not crucial in understanding what personality is. . . Many of the differences apparent to the lay reader are really only differences in the use of words. It is not uncommon for personality theorists to discuss the same event in two or three different ways. The reason for this lies in the fact that psychology is composed of many different schools of thought, each attacking the same problem with a somewhat different set of concepts (ideas), methods, hunches, and ways of expressing these things. Although this multi-approach to the same problem may lead to difficulties . . . , it is really a healthy affair. . . . Even at this early stage it is possible, by a more thorough analysis by those who might be acquainted with the jargon on all sides, to present a list of similarities which portray with a high degree of accuracy the existing underlying similarities."

Argyris had begun to see himself from his prior work—and with full justification I think — as one of

(Continued on Page 57)

CARROTHERS, FOX, ROBARTS & BETTS

C. C. Carrothers, Q.C., B.A., LL.B., F.C.I.S.
William H. Fox, B.A.
John P. Robarts, Q.C., B.A., M.L.A.
Peter V. V. Betts, B.A.

Telephone 4-3208

Offices Richmond Building

371 Richmond Street

London Canada

DuMOULIN & MOORE LIMITED

INSURANCE

(Established 1859)

W. E. Duffield, Bus. Ad. '54

P. A. DuMoulin G. T. Moore

R. J. Lougheed

Telephone 4-7371 439 Waterloo St.

LONDON

Jack Willis Wm. McIlroy

Albert Lawrence

MOORE - SMYTH
WILLIS
Limited

General Insurance

260 Dundas St. Telephone 2-7558

JEFFERY
&
JEFFERY

Barristers, Solicitors, Etc.

174 King Street

London Canada

Books for Businessmen — cont.

those persons "acquainted with the jargon on all sides" who could present "with a high degree of accuracy the existing underlying similarities". That had been his developmental effort for several years. He had unquestionably been a prolific reader, and he had devoted himself strenuously to understanding what he read before he tried to criticise.

Besides Argyris' development as a qualified reporter of the clinical and experimental research studies of other behavioral scientists, another side of his development warrants attention as background to his latest publication. This is his growth as a researcher in his own right. Perhaps the major report of a research study of his own appears in the book *Executive Leadership.*[3] That book reported his own interviews, observations and conclusions from a study of a top executive of a large manufacturing branch plant and that executive's relations with his immediate subordinates. Other studies he has conducted have been in other manufacturing companies, a bank, a hospital, and one study for the O. E. E. C.[4] Those studies gave Argyris important clinical experience of his own in conducting research in the behavioral sciences. His own research also solidified his interests in business organizations as social territories for significant investigation; and he learned to write directly to business administrators.

Personality and Organization represents a culmination of this history of Argyris' development. His latest

[3] Harper & Brothers, New York, 1953.

[4] *The Impact of Budgets on People* (Controllership Foundation, Inc., New York, March 1952). *Human Relations in a Bank* (Labor and Management Center, Yale University, New Haven, Reprint No. 21). *Human Problems in a Hospital* (Labor and Management Center, Yale University, New Haven, 1955). *Human Relations Problems in the Nursing Division* (Labor and Management Center, Yale University, New Haven, 1955). *An Analysis of the Human Relations Policies and Practices in England, Norway, Holland, France, Greece, and Germany* (O. E. E. C. Dept. of Management Reports, Paris, France, 1955).

(Continued on Page 58)

Keep your fingers on the pulse of

Canadian Business

READ THE B OF M BUSINESS REVIEW

More and more businessmen are reading the B of M Business Review for an accurate analysis of Canadian economic trends.

Published monthly by Canada's first bank, each issue contains an authoritative, detailed survey of some aspect of the Canadian economy, or an over-all analysis of national business trends, together with crisp reports of each economic division of the country.

We shall be glad to add your name to our mailing list—without charge. Simply write for *Business Review* on your letterhead to: Business Development Department, Bank of Montreal, 119 St. James St., Montreal, Canada.

"MY BANK" TO 2 MILLION CANADIANS B of M

BANK OF MONTREAL

Canada's First Bank

WORKING WITH CANADIANS IN EVERY WALK OF LIFE SINCE 1817

Midland Securities CORPN. LIMITED

MEMBERS: The Investment Dealers' Association of Canada

Canadian Government, Municipal and Corporation Securities

The Midland Company LIMITED

MEMBER: The Toronto Stock Exchange
The Montreal Stock Exchange

Stock orders executed on all Exchanges

London, Ontario: Huron & Erie Building
Toronto, Ontario: 50 King Street West
Sault Ste. Marie, Ontario: 114 March Street
Montreal, Quebec: 215 St. James Street West
St. Thomas, Ontario: 354 Talbot Street

G 6004

You Simply Cannot Buy

A Better Gasoline

SUPERTEST

PETROLEUM CORPORATION, LIMITED

book represents the best summation I know of the findings and conclusions of behavioral scientists today about human behavior in business organizations at mid-twentieth century. The book is fantastically well-documented with reports of research studies, his own and those of others. A count of footnotes tells that side of the book convincingly enough: Chapter III—79 footnotes, chapter V — 92 footnotes, chapter VII—118 footnotes, and so on to a total of 642 footnotes in the whole book. Those footnotes are nearly all references to other research studies. The heavy documentation does not mean, however, that the book is hard to read. Argyris has learned how to write. As a reporter of other studies, he knows how to present a coherent, flowing, readable style. As a researcher in his own right, he has a healthy sense of significance. In short, he has prepared himself admirably to write his latest book. The book has some important shortcomings—they should be expected considering the ambition of his assignment — but those are not my concern in this review.

In the book he has presented the latest conclusions and beliefs behavioral scientists hold in common among themselves about the nature of human behavior. He has reviewed the assumptions implicit in modern formal organizations as those assumptions relate to human behavior. He has stated the consequences for men and for business organization if the assumptions implicit in modern formal organizations do not change. Finally, he has reviewed the current hypothesis of behavioral scientists concerning changes that hold some hope for the future.

Chris Argyris is still a young man. His entire output that has been covered in this review dates back to no earlier than 1950. We should all be interested in reading

(Continued on Page 59)

his latest book — and looking forward to his future publications.

R. K. Ready,
Associate Professor of Business Administration, U.W.O.

QUEUES, INVENTORIES AND MAINTENANCE

by John Wiley & Sons Inc., New York, 1958. 202 pp., $6.50.

The author of this book was one of the people who brought operational research to the foreground during World War II. Morse, who together with Kimball wrote the classic "Methods of Operational Research", has here applied the probability methods of operational research to a class of problems apparently distinct but really closely related. Essentially, they are problems of waiting for and giving service. Typical examples are: "how many toll gates on a superhighway entrance," "how large a stock of spare parts should be kept," and "how large a maintenance crew is needed to service a given number of machines."

In all these problems, there are two basic questions, how often will the service be needed, and how long will servicing take in any one case. Morse's solution is to assume that the arrival for servicing and the time taken in servicing will be represented by a certain probability distribution, or combinations of this distribution. He is then able to work out the mean waiting times and variances in his problems.

He first takes the case when the rate of arrivals, or rate of servicing is uniform, but randomly distributed, which leads to the mathematically simple distribution, the exponential (or Poisson) distribution. Then, to allow more variability in the arrival and servicing distributions, Morse considers combinations of the exponential distribution. These combinations can still be handled mathematically, although the mathematics get tedious, and he works out a number of

(Continued on Page 60)

Purchasers and Distributors
of Government, Municipal and
Corporation Securities

•

A. E. Ames & Co.
Limited

Business Established 1889

TORONTO MONTREAL NEW YORK LONDON, ENG. VANCOUVER
VICTORIA WINNIPEG CALGARY LONDON HAMILTON OTTAWA
KITCHENER ST. CATHARINES OWEN SOUND QUEBEC BOSTON, MASS.

Clarkson, Gordon & Co.

CHARTERED ACCOUNTANTS

Montreal	**Winnipeg**
Toronto	**Regina**
Hamilton	**Calgary**
London	**Edmonton**
Windsor	**Vancouver**

QUICK PICTURE:

You will find, in our Commercial Letter, a quick but accurate survey of current commercial activities in Canada, a concise review of foreign trade developments, the latest statistics on trade, industry and finance, authoritative articles on special aspects of Canada's economy. Your local manager will gladly place your name on our mailing list, or just write to:

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE • TORONTO B-757

Cochran, Murray & Co.
Limited

Member
Investment Dealers' Association of Canada

•

Cochran, Murray & Hay

Member of the
Toronto Stock Exchange

Dominion Bank Bldg., Toronto. Telephone Em. 3-9161

Hamilton Kitchener London 4642

Books for Businessmen — cont.

cases in the book. It appears reasonable that the simple exponential or the combined form developed here will cover most of the arrival distributors that turn up in practice.

The book on the whole is well written and definitely fills an obvious gap, in showing how certain relatively simple probability distributions can be used to considerable advantage in dealing with a wide class of problems. The treatment mathematically is generally very good but a reader requires to have at least one calculus and one statistics course to follow most of the arguments — complicated in places, although never using advanced mathematics.

Arwell Evans,
Lecturer in Mathematics,
University College, U.W.O.

THE AMERICAN BUSINESS SYSTEM

by Thomas C. Cochran, Harvard University Press, 1957. 227 pp., $6.25.

This historical perspective of the years 1900-1955 fizzles like a Vanguard. It assumes that America leads the world, that Americans are the most advanced people technically, mechanically and industrially, and that American business leads America and has a message for the whole world. Although modern management gives away shareholders' money to education in this business-dominated society, the intellectual is still an object of derision and universities' faculties merely useful hunting ground for business' back-room boys. Although bankrupted in the thirties and only salvaged by government intervention, American business still propagates the idea that most present ills are due to its government taxation and intervention. Although paying lip-service to free competition, it has organised the largest pressure groups to prevent the "underpaid foreigner" competing in the U.S. market.

(Continued on Page 61)

In these circumstances it is hardly surprising that "The challenge to business to play its necessary role in American intellectual and spiritual world leadership was far more difficult to meet than the adjustment to government contracting. . . The one aspect of American life that the whole world continued to respect was its material success. If the rest of the world could be shown that American business principles were an integral part of a larger value system beneficial to them and possibly adoptable, it might be won over. Nevertheless, business was far from ready to assume the missionary task which was thrust on it . . . American businessmen, for all their important position in society, did not epitomize America as did the independent farmers of an earlier era. . . . Much of the conflict, much of the apparent lack of unity and purpose in American national life, came from the failure we have noted to reconcile business attitudes and aims, such as the pursuit of an even higher standard of living, with the other fundamental values stemming from American religious and democratic traditions. . . . To hope for moral or spiritual inspiration from business was asking for new functions from an institution originally designed to supply only material wants."

Obviously it is asking too much of a history of American business development to look at other important elements that comprise America. In past centuries, churchmen have proved excellent guides of men's souls but disastrous economic administrators; soldiers excellent army commanders but poor at government.; and, similarly today, American businessmen, however good as businessmen, cannot become automatically the thought-leaders of both the United States and the world. Surely if the American message to the world is only that of its businessmen, then all this free world leadership is just another Vanguard.

A. Gordon Huson, Editor.

Dealers in
Government and Corporation
Securities

Monthly Bulletin upon request

Ross, Knowles & Co. Ltd.

25 ADELAIDE ST. W. EM. 8-1701 TORONTO

Hamilton Brantford Windsor Sarnia
Sudbury Niagara Falls Brampton

Members: The Toronto Stock Exchange
The Investment Dealers' Association of Canada

1858 — 1958
McCormick's 100
YEARS OF PROGRESS

Assure you that the McCormick's Biscuits and Candies you purchase are the best obtainable.

Buy Them

Enjoy a Treat

McCORMICK'S LIMITED

London - Canada

O. Roy Moore & Co.

□

ARCHITECTS

□

260 Dundas Street

London Ontario

You never see a Seal at a Circus...

because only sea-lions have the natural intelligence to learn and the necessary balance to perform.

The sea-lion's intelligence is important to his family too. Because the young do not instinctively take to water, they must be taught to swim and to find food for themselves. When the sea-lion reaches old age and is unable to contribute to the community, he is cast out to fend for himself and to end his days in lonely solitude. Unlike the sea-lion, you can intelligently plan your family's future and your own at the same time.

Crown Life's exclusive Special Premium Endowment gives you a new concept in family financial planning with: Life Insurance Protection for your family if they need it, Or . . . your deposits back in full at 65; PLUS a profit on your investment.

And today, with simple modifications, most of the deposits you make in this plan are deductible from income for tax purposes, through registration as a personal pension plan.

For example:

A young man, age 30, married with 2 children, and earning $5,000 a year deposits $40. monthly which will provide immediate family protection of $20,942. and a lifetime monthly income at 65 of $162.72*. Under the present rate of taxation he would receive an additional exemption of $355.20 reducing his tax by $68. a year or 14% of his investment.

Send in the coupon below and you will receive absolutely free a copy of Pocket-Tax Facts and more information on CROWN'S Special Premium Endowment.

CROWN LIFE

Established 1900 — INSURANCE COMPANY — Home Office Toronto

To: CROWN LIFE INSURANCE CO.,
120 Bloor St. E., Toronto

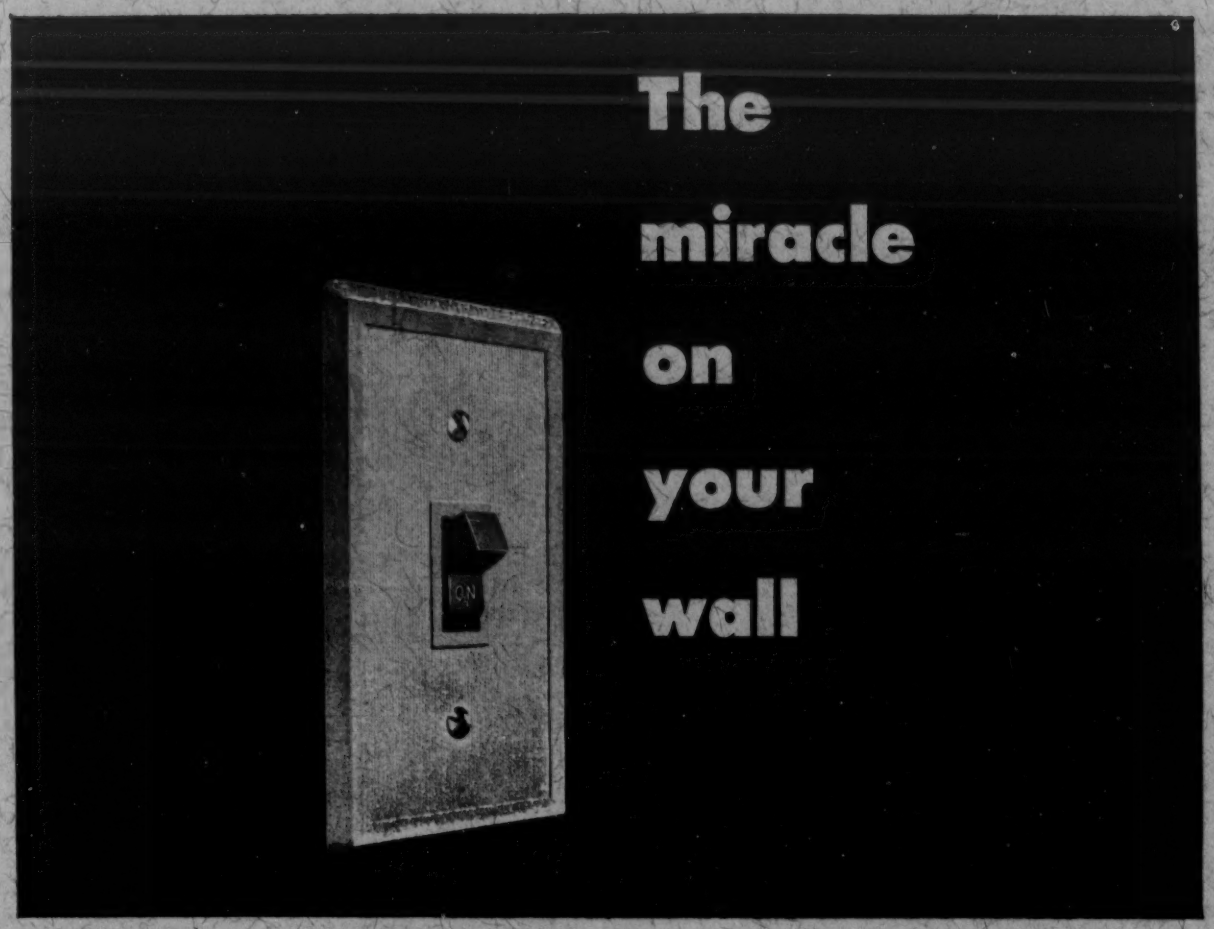
Please send me "Tax Facts" and details regarding your Special Premium Endowment Plan.

Name.....

Address.....

City.....Prov.....

*Dividends based on new 1957 scale not guaranteed



Behind the familiar wall switch lies the far-sighted planning and ingenuity of Canada's electrical industry that provides the low-cost power and efficient equipment which is helping to raise our standard of living.

When you want light in a room, you just flick a switch. It's as simple as that. And, if that minor miracle is taken for granted, consider a few of the other tasks electricity performs in the home.

It cooks complete meals while you are out—takes the labour out of cleaning, polishing, washing and ironing—keeps perishable foods in perfect condition, for months if necessary—supplies constant hot water—brings you radio and television entertainment—and helps to keep your home cosily warm in winter and delightfully cool in summer. This is fast becoming the pattern of living in even remote Canadian homes today.

While the role played by electricity in the home naturally looms large with all of us, it should always be remembered that by far the larger part of the power generated is used by industry. In fact, it is primarily because of the availability of this dependable source of power that Canada has been able to develop her aluminum, pulp and paper, mining and manufacturing industries to their present position—which, indirectly, adds to the prosperity of all Canadians.

When you flip that familiar switch on the wall, have you ever given a thought to the amazingly intricate system of power equipment that lies behind it.

From the start, the story of Canada's electric utilities has been one of phenomenal increases in demand for power being constantly met, with the result that Canada has become one of the most highly electrified nations in the world. And, as always with this enlightened industry, tomorrow's needs are being taken care of by today's planning.

This Company engineers, manufactures and supplies a complete line of electrical equipment including generators, transformers, switchgear, wire and cable for the generation, transmission and distribution of electric power—as well as the motors and control, electronic devices, appliances, lamps and other products that put it to work.

We, of Canadian General Electric, take pride in the fact that electric power has become the pulse of the Canadian way of life because—as Canada's oldest and largest electrical manufacturer—we have helped to make it so.

Progress Is Our Most Important Product

CANADIAN GENERAL ELECTRIC COMPANY
LIMITED
HEAD OFFICE: TORONTO